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Technical Proposal to

Florida Public Service **Commission**

for State of Florida Telecommunications Relay **Services**

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Presented by: Bryan E. Carre. **MCI Senior National Accounts Manager**

October 2, 1996

Proposal to the Florida Public Service Commission for Telecommunications Relay Service for the State of Florida

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MCI Telecommunications Corporation

325 John Knox Road Suite 105-Atrium Building Tallahassee, FL 32303 904 422 3911 FAX 904 422 3916

Mr. Richard Tudor Florida Public service Commission 2540 Shumard Oak Boulevard Tallahassee, Florida 32399-0850

October 2, 1996

Dear Mr. Tudor:

MCI Telecommunications Corporation responds herein to the Florida Public Service Commission's (FPSC) request for proposal, for operation of a Telecommunications Relay Service System for the State of Florida.. MCI is both qualified and experienced in relay service offerings and will provide an excellent blend of quality, network integrity, professional communications consultants, service response, outreach support and pricing to meet the stated goals of the Request for Proposal. MCI is compliant with all requirements of the RFP.

One key to success in today's rapidly changing telecommunications environment lies in forging strategic business relationships where all parties benefit. We at MCI, from our dedicated government account team to MCI executive management, are enthusiastic about the opportunity to strengthen our relationship with the State of Florida and the Florida Relay Telecommunications Relay Service.

MCI believes that upon review of this proposal, the Florida Public Service Commission will recognize that MCI has responded with a very aggressive bid for an in state facility to provide the Florida Relay Service. Every effort has been taken to deliver the very best pricing and service offerings. As the incumbent provider for the Florida Relay Service, MCI respectfully requests the opportunity to continue to provide the services specified in the Request for Proposal and demonstrate the continued superiority of our relay service offering.

Thank you in advance for your time and consideration of MCI Telecommunications Corporation services.

Sincepely

Richard T. McGuire

Director (authorized representative), MCI Telecommunications Corporation

MCI State Government & University Markets

6 Concourse Parkway

Suite 600

Atlanta, Georgia 30328

Voice (770) 901-2970

Fax (770) 901-3807

FILING CHECK LIST

Check List <u>Item No.</u>	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's Proposal	Pass/Fail OR <u>Maximum Points</u>
1. 2.	JAN DEL	Format (RFP ref. Section C-1 and D) Transmittal Letter, Address, Contact Person, Tel. and Fax No.	N/A <u>Transmittal Tab</u>	N/A P/F
3. 4.	All	and Legal Name of Bidder, (RFP ref. C-2) Check List (RFP ref. C-8 and E) Certification by FPSC and FCC (RFP ref. A-5)	Checklist Tab	P/F
5. 6.	Sin	Can provide by June 1, 1997 (RFP ref. B-3) Term of Contract (RFP ref. B-4)	16 16	P/F P/F
7. 8 . 9.	Sh	Access Numbers (RFP ref. B-5) Location of Relay Center (RFP ref. B-6) Availability of System to Users (RFP ref. B-7)	16 17	P/F 100
10. 11.		Minimum CA Qualifications and Testing (RFP ref. B-8) CA Training (RFP ref. B-9)	18 18 21	P/F 100 100
12. 13. 14.	Str.	Staff Training (RFP ref. B-10) Counseling (RFP ref. B-11)	28	100 25
15. 16.	Stu.	Procedures for Relaying Communications (RFP ref. B-12) Languages Served (RFP ref. B-13) Shift Advisor/Consultant (RFP ref. B-14)	29 35 36	100 P/F P/F
17. 18. 19.	- Sh	Confidentiality (RFP ref. B-15) Voice and Hearing Carryover (RFP ref. B-16) Observity (RFP ref. B-17)	37 39	P/F 50
20.	Alm	Obscenity (RFP ref. B-17) Emergency Calls (RFP ref. B-18)	<u>41</u> <u>42</u>	P/F 50

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Check List <u>Item No.</u>	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's <u>Proposal</u>	Pass/Fail OR <u>Maximum Points</u>
21.	Sta	Blockage (RFP ref. B-19)	42	200
22.	2001	Answer Time (RFP ref. B-20)	43	200
23.	30th	_ Equipment Compatibility (RFP ref. B-21)	44	P/F
24.	2th	_ Transmission Level (RFP ref. B-22)	44	P/F
25.	Stu	Measuring Equipment Accuracy (RFP ref. B-23)	49	P/F
26.	John	_ Emergency Operations (RFP ref. B-24)	49	50
27.	ZTM	_ Intercept Messages (RFP ref. B-25)	55	P/F
28.	- Fth	_ Service Expansion (RFP ref. B-26)	56	50
29.	X In	New Technology (RFP ref. B-27)	58	50
30.	-XIM	Consumer Input (RFP ref. B-28)	60	100
31.	_ wh	Complaint Resolution (RFP ref. B-29)	62	50
32.	- Xu	_ Charges for Incoming Calls (RFP ref. B-30)	64	P/F
33.	- STAN	Billing Arrangements (RFP ref. B-31)	<u>64</u>	50
34.	ATL	End User Billing (RFP ref. B-32)	70	50
35.		Relaying Interstate or International (RFP ref. B-33)	<u>73</u>	50
36.	- XIII	End user Selection of Carrier (RFP ref. B-34)	<u>76</u>	50
37.	- Jan	Recipient of Toll Revenues (RFP ref. B-35)	<u>77</u>	P/F
38.		Long Distance Call Billing (RFP ref. B-36)	<u>77</u>	50
39.	XXVIII	Special Needs (RFP ref. B-37)	80	25
40.	- Well	All Unsolicited Features in Basic Relay Service Price Proposal	81. Appendix D	200
		(RFP ref. B-38)		

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Check List Item No.	Initials of Bidder's Contact Person	Brief Title	Page No. Of Bidder's <u>Proposal</u>	Pass/Fail OR <u>Maximum Points</u>
	De l	Optional Services Not In Basic Relay Service Price Proposal		
41.	M	a. Custom Calling Services (RFP ref. B-39a)	82	Optional/0 Points
42.	ATY.	b. 900/976 Services (RFP ref. B-39b)	83	Optional/0 Points
43.	- AZIL	c. Enhanced Transmission Speed and Interrupt Capability	84	Optional/0 Points
	CAM.	(RFP ref. B-39c)		-
44.	- All	d. Other Optional Features (RFP Ref. B-39d)	85	Optional/0 Points
45.	- Tu	_ Submission of Monthly Invoice (RFP ref. B-41)	88	P/F
46.	Jan	_ Travel (RFP ref. B-42)	88	P/F
47.	- Alle	Reporting Requirements (RFP ref. B-43)	89	P/F
48.	-Str	Liquidated Damages (RFP ref. B-44)	93	P/F
49.		Transfer to New Provider (RFP ref. B-45)	94	P/F
50.	XIII.	Insurance (RFP ref. B-46)	94	P/F
51.		Public Entity Crimes (RFP ref. C-3)	97	P/F
52.	- Jan -	Financial Information (RFP ref. C-4)	97	P/F
53.	- Xth	Experience and customer references (RFP ref. C-5)	98, Appendix B	200
54.	- Kile	Bid Security Deposit (RFP ref. C-6)	101, Appendix C	P/F
55.	- FM	Subcontractors (RFP ref. C-7)	103	P/F
56.	- FOL	PRICE PROPOSAL (RFP ref. Section D) Must be filed in a separate		
		sealed envelope marked: "Sealed - To Be Opened Only By the FPSC		
		Proposal Opening Officer"	1	See RFP Sec. D & E
		MAXIMUM TOTAL POINTS		2000

Executive Summary

MCI Telecommunications Corporation is pleased to offer the Florida Public Service Commission (FPSC) for the State of Florida this bid response for the network and staffing requirements of the "Telecommunications Relay Service System in Florida" Request for Proposal. The content of this section first provides a summary of the key aspects of the Florida Public Service Commission's purposes for solicitation and then highlights information that will serve to demonstrate some of MCI's clear advantages when compared with other service providers.

Statement of Purpose

As outlined in the Request for Proposal, the purpose of contracting for a Florida Relay Service System is to maintain a system that meets the needs of the people of the state of Florida pursuant to the Telecommunications Access System Act of 1991 and which satisfies or exceeds the relay system certification requirements of the Federal Communications Commission under the Americans with Disabilities Act. MCI understands that if awarded this contract, the RFP and enclosed MCI response will be incorporated as contract terms. MCI further understands the FPSC intends to award this contract for an initial period of three years and may extend the contract for an additional period to the successful bidder. MCI understands that the contracted service shall commence on June 1, 1997.

In addition to providing telecommunications relay services described throughout the RFP, MCI provides extensive "outreach" programs throughout communities located within the state of Florida. The purposes of these outreach programs are to continue education of the Florida public regarding relay service, as well as solicit feedback from the user population on how to better serve their ongoing and ever changing needs. Furthermore, MCI understands that the FPSC requires that the successful vendor must utilize state-of the-art equipment, network facilities and highly trained relay operators to meet the stated goals of the RFP.

MCI Software and Reporting

In the early days of TRS, MCI invested to develop its relay console software internally rather than modify existing, pre-packaged communication programs available at the time. This software development has proven MCI to be the market leader in enhanced features and flexibility for the TRS user. Over the past four years, MCI has released three major and more than 20 minor software



loads. As a result of this flexibility, MCI has been the pioneering force behind numerous TRS enhancements:

- Carrier of Choice- allows the consumer to choose any long distance carrier she or he wishes to use for TRS calls;
- Customer Profile- allows individuals to have their calls answered in a preferred mode, yet flexible for change at the customer's request should she or he upgrade the home equipment;
- **Two Line VCO** allows consumers to use VCO without having to constantly pick up the receiver, and many other features.

This internal development has allowed MCI to tailor certain reports to the needs of each state and periodically adjust their appearance when modifications are required. MCI is constantly modifying its software to incorporate new and innovative features. The state of Florida's TRS user can expect to stay on the cutting edge of technology as software enhancements will always be made available to them as they are developed.

MCI Outreach

MCI was the first carrier to create a partnership with consumer based organizations for not only the provision of TRS, but the outreach and educational portions as well. MCI's goal is to interface with as many consumer based organizations as possible to ensure their constituency is able to utilize the TRS system to its maximum potential. In each of the states MCI provides relay service, MCI has sponsored workshops, seminars, materials, and extensive follow-up to ensure the user community receives the best possible service from the TRS system. MCI TRS Customer Service Department utilizes MCI proprietary software that tracks customer problems by name, address, phone number or specific problem. This allows us to constantly monitor the effectiveness of the TRS outreach program and technical components of not only its center and network, but the Local Exchange Carrier's (LEC's) as well.

As a corporation, MCI recognizes that a single choice is NO choice. Relay consumers told us that they were not always pleased with one company offering Operator Services for the Deaf (OSD) or directory assistance. MCI responded and established TeleText Operator Services in 1994 to offer an alternative to TTY users. TeleText Operator Services is a full-service TTY based operator platform. Individuals receive traditional operator service: i.e., person to person calling, 1-800-COLLECT, third party billing, directory assistance and others - when calling TTY to TTY.



MCI also offers to the TTY user 7 x 24, fully staffed Customer Service Center that is able to answer questions about billing and any other MCI product. In February, MCI announced the first and only TTY based calling card. This baudot driven card finally allows the deaf/hard-of-hearing user equal access in the calling card arena. The card's progression is prompted by TTY rather than voice and defaults to a TeleText operator upon error or request. It can also be used for general calling card calls through any TRS facility regardless of which carrier operates the center.

Summary

MCI is excited with the prospect of continuing to provide telecommunications relay service to the State of Florida and its citizens who require access to such services. MCI stands ready and sincerely hopes the review and award committee will recognize the level of commitment and award this contract to MCI. MCI stands poised to meet the needs of the population of TRS users with quality, consistency, and superior technology.



A. Administrative Requirements And Procedures

1. Issuing Entity and Point of Contact

This Request For Proposals (RFP) is issued by the Florida Public Service Commission (FPSC). The Commission's Proposals Review Committee (PRC) Chairman is the sole point of contact concerning this RFP and all communication must be made through the Proposals Review Committee Chairman, Mr. Richard Tudor. All correspondence must be addressed to Mr. Richard Tudor, c/o Ms. Blanca Bayo, Division of Records and Reporting, The Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850 and should reference Docket No. 960598-TP. Facsimile correspondence can be directed to the PRC Chairman at (904) 413-6517.

MCI understands and will comply

2. Purpose

This RFP is for the purpose of contracting for a Florida Relay Service (FRS) System that meets the needs of the people of the state of Florida pursuant to the Telecommunications Access System Act of 1991 and which satisfies or exceeds the relay system certification requirements of the Federal Communications Commission under the Americans with Disabilities Act. Bidders must comply with the requirements of both laws.

Section F is a copy of four reports provided by the current relay provider concerning the Florida relay traffic for the month of May 1996. Also, for informational purposes, the Florida Relay Service bill for the month of May 1996 was for 987,345 billable minutes. The Bidder assumes all responsibility for the accuracy of data from these reports and billable minute information in using them for bidding purposes.

MCI understands and will comply

3. Other Applicable Laws/Legal Considerations

This RFP and any resulting contract shall be governed by the laws of the State of Florida. The bidders and Provider shall comply with applicable federal, state and local laws and regulations.

The contract shall be construed according to the laws of the State of Florida. Any legal proceedings against any party relating to or arising out of this RFP or any resultant contract or contractual relation shall be brought in State of Florida administrative or judicial forums. Venue will be in Leon County, Florida.

MCI understands and will comply

Where there is no conflict with federal law or regulations, MCI agrees that any legal proceeding arising against any party relating to or arising out of this RFP or any resultant contract or contractual relations shall be brought in the State of Florida administrative or judicial forums, venue in Leon County, Florida. However, MCI is regulated by the Act of 1934 and the Federal Communications Commission ("FCC"). If a legal conflict arises between the State or any other entity and MCI regarding an issue related to the Communications Act of 1934, the Telecommunications Act of 1996 or a regulation of the FCC, federal law may require that the issue be heard in a forum other than an administrative or judicial forum in Leon County, Florida.



4. Scope

This RFP contains the instructions governing the proposal to be submitted and the material to be included therein, mandatory administrative and operational requirements which a bidder shall meet to be eligible for consideration, specific instructions for proposal submission and evaluation criteria.

MCI understands and will comply

5. Certificate of Public Convenience and Necessity

The provider shall have or apply for a certificate of public convenience and necessity to provide local and interexchange service from the FPSC prior to or at the time it submits its proposal for relay service. The provider shall also have or apply for necessary FCC authority to provide interstate and international service prior to or at the time it submits its proposal for relay service.

MCI understands and will comply

6. Definitions/Acronyms

The following terms, when used in this RFP, have the meaning shown below:

- a. Abandoned calls Calls reaching the relay switch and terminated by the caller before a communications assistant answers regardless of the amount of time that has elapsed since the call reached the relay switch.
- b. Administrator A corporation not for profit incorporated pursuant to the provisions of chapter 617, F.S., and designated by the Florida Public Service Commission to administer the telecommunications relay service system and the distribution of specialized telecommunications devices. [s. 427.703(1), F.S.]
- c. Advisory Committee A group created by 427.706, F.S., and consisting of up to ten individuals named by the FPSC for the purposes described in Chapter 427, F.S.
- **d.** Answer time The point in the progression of inbound calls at the relay center when the communications assistant is ready to serve.



- e. Billable Minutes For the purpose of calculating and rendering bills to the Administrator [S.427.704(2), F.S.], billable minutes is the elapsed time between the time the incoming call enters the FRS provider's relay center switch and the completion of relay service. Total session time shall be rounded to the nearest one-tenth of a minute or less per session and the time for all call sessions shall be added together for all incoming calls during the month to produce the total billable minutes per month. The total of billable minutes for the month shall be rounded to the nearest minute. In a session which includes a mix of intrastate toll or local calls and interstate or international calls, the time associated with the interstate or international calls shall not be included in the billable time for that call session.
- **f. Blocked calls** Calls reaching the relay switch which do not terminate by ringing a communications assistant position.
- g. Communications Assistant (CA) A person who relays conversation to and from users of a relay system, normally converting the conversation between text and voice. The CA may also be a mechanized device that meets the requirements described for the Florida Relay Service.
- h. **Deaf** Having a permanent hearing impairment and being unable to discriminate speech sounds in verbal communication, with or without the assistance of amplification devices. [s.427.703(3), F.S.]
- I. Dual Sensory Impaired Having both a permanent hearing impairment and a permanent visual impairment and includes deaf/blindness. [s.427.703(4),F.S.]
- j. FPSC Florida Public Service Commission
- k. FRS Florida Relay Service
- General Assistance Calls Incoming calls to the CA that are not associated with an outgoing relay call. Such calls may sometimes be to provide information about using relay or other types of calls that would normally be handled by customer service.
- m. Hard of Hearing Having a permanent hearing impairment which is severe enough to necessitate the use of amplification devices to discriminate speech sounds in verbal communication. [s.427.703(5), F.S.]
- n. Hearing Impaired or Hearing Disabled Being deaf or hard of hearing and includes being dual sensory impaired. [s.427.703(6), F.S.]



- o. Hearing Carryover A feature that enables a user with a speech disability to utilize his useable hearing for direct reception of voice communications and to use the FRS CA for conversion of the user's communications from TDD to voice.
- p. Incoming Call An incoming call refers to the portion of the communications connection from the calling party to the relay service center. An incoming TDD call is a call originated by a TDD user. An incoming telephone call is a call originated by a telephone user. An incoming call includes calls to the relay service telephone number for completing a relay call as well as general assistance calls.
- q. Minor Irregularity A variation from the request for proposal terms and conditions which does not affect the price of the proposal, does not give the bidder a significant advantage or benefit not enjoyed by other bidders, or does not adversely impact the interests of the agency.
- r. Outgoing Call An outgoing call refers to the portion of the communications connection from the relay service center to the called party. An outgoing TDD call is a call to a TDD user. An outgoing telephone call is a call to a telephone user.
- s. PRC Proposals Review Committee
- t. Speech Impaired or Speech Disabled Having a permanent loss of verbal communication ability which prohibits normal usage of a standard telephone set. [s.427.704(10), F.S.]
- u. Telecommunications Device for the Deaf (TDD or TTY) A mechanism which is connected to a standard telephone line, operated by means of a keyboard, and used to transmit or receive signals through telephone lines. The term includes mechanisms equipped with sight assisting devices such as a large print screen or braille printer and also includes computers. [s.427.703(14), F.S.]
- v. User Includes either the calling or called party in a relay call.
- w. Voice Carryover A feature that enables a user with a hearing disability to utilize his useable speech for direct expression of voice communications and to use the FRS operator for conversion of the other user's communications from voice to TDD.

MCI understands and will comply



7. Key Dates

(The following dates are targets, the FPSC reserves the right to change the dates.)

Release RFP	August 14, 1996
Bidders' Conference	August 28, 1996
Deliver Final Questions About RFP to PRC Chairman	<u>September 19,1996</u>
PROPOSAL DUE DATE & TIME 3:00pm Eastern Time	October 2, 1996
Recommendation Presentation to the FPSC	<u>December 3, 1996</u>
Letter of Intent	<u>December 16, 1996</u>
Performance Bond Due	<u>January 15, 1997</u>
Begin Service	June 1, 1997

MCI understands and will comply

8. Questions Concerning RFP

Prior to or after the bidders' conference, potential bidders may submit, in writing, questions regarding the RFP. To the extent practical, such questions concerning the RFP will be responded to at the bidders' conference. Questions filed after the bidders' conference will be responded to in writing to known potential bidders, if time permits. All questions should be received by the PRC Chairman by 5:00 p.m. September 19, 1996.



9. Amendments or Supplements to RFP

In the event that it becomes necessary to revise or clarify any part of this RFP, an amendment or supplement will be provided to each bidder of record receiving the original RFP.

MCI understands and will comply

10. Restrictions on Communications

From the issue date of this RFP until a provider is selected, bidders are not to communicate with any FPSC Commissioner or staff member or Advisory Committee member regarding this RFP except for: a) written correspondence to or from the PRC Chairman or b) oral discussions at the bidders' conference or at an oral interview or site visit. For violation of this provision, the FPSC reserves the right to reject the proposal.

MCI understands and will comply

11. Bidders' Conference

A public bidders' conference in connection with this RFP will be held on August 28, 1996. The conference will be at 9:30 AM in Room 152 of the Easley Building, 4075 Esplanade Way, Tallahassee, FL. The FPSC will transcribe the proceedings of the bidders' conference. An overview of the RFP will be presented. Written questions submitted in compliance with Paragraph A.8. above will be addressed. In addition, the PRC will make every attempt to respond to questions from the floor; however, depending on the question asked, a complete response may have to be deferred until after the conference.

MCI understands and will comply

12. Modifications, Withdrawals, and Late Proposals

Proposals may only be modified or withdrawn by the bidder up to the established filing date and time. It is the responsibility of the bidder to ensure that the proposal is received by the Division of Records and Reporting on or before the proposal due date



and time. Both technical and price proposals must be filed by October 2, 1996 at 3:00 p.m. eastern time. Late proposals will not be accepted.

MCI understands and will comply

13. Bidding Costs

Neither the FPSC nor the FRS system is liable for any costs incurred by a bidder in conjunction with development of its bid.

MCI understands and will comply

14. Rejection of Proposals, Correction of Errors

The PRC Chairman and FPSC reserve the right to reject any or all proposals and also to accept proposals despite minor irregularities in proposals received. At its sole discretion, the PRC Chairman or FPSC may allow a bidder to correct such minor irregularities in the proposal.

MCI understands and will comply

15. Public Availability of Proposals, News Releases and Public Announcements

Technical and Price proposals will each be made available to the general public within ten (10) days after each is opened. The price proposals will not be opened until after the technical proposals are evaluated. The FPSC may issue press releases or public announcements concerning filed proposals or the bid process.

MCI understands and will comply

16. Protests

Failure to file a protest of either the RFP or the letter of intent within the time prescribed in subsection 120.53(5)(b), Florida Statutes, shall constitute a waiver of proceedings under Chapter 120, Florida Statutes.

MCI understands and will comply

17. Letter of Intent/Notification to Bidders

Upon selection of a potential provider by the Commission, the Commission will issue a letter of intent to the potential provider. The letter of intent is the point of entry to protest the award pursuant to Section 120.53(5), F.S. A contract shall be completed and signed by all parties concerned within thirty (30) days of mailing the letter of intent. If this date is not met, through no fault of the FPSC, the FPSC may elect to cancel the letter of intent and make the award to another bidder.

All bidders will receive a copy of the letter of intent by certified mail, return receipt requested.

MCI understands and will comply

18. Award of Contract

The FPSC shall award the contract to the bidder whose proposal is the most advantageous to the state, taking into account the following considerations in Section 427.704(3)(a), Florida Statutes:

- a. The appropriateness and accessibility of the proposed telecommunications relay service for the citizens of the state, including persons who are hearing impaired or speech impaired;
- b. The overall quality of the proposed telecommunications relay system;
- c. The charges for the proposed telecommunications relay service system;
- d. The ability and qualifications of the bidder to provide the proposed telecommunications relay service system as outlined in the RFP;
- e. Any proposed service enhancements and technological enhancements which improve service without significantly increasing cost;



- f. Any proposed inclusion of provision of assistance to deaf persons with special needs to access the basic telecommunications system;
- g. The ability to meet the proposed commencement date for the FRS;
- h. All other factors listed in the RFP.

MCI understands and will comply

19. Award Without Discussion

The FPSC reserves the right to make an award without discussion of proposals with the bidder. Therefore, it is important that each technical and price proposal be submitted in the most complete, understandable and accurate manner possible.

MCI understands and will comply

20. Oral Interviews/Site Visits/Written Data Request

Bidders may be asked to participate in oral interviews, respond to a written data request, make their facilities available for a site inspection by the PRC or make their financial records available for FPSC audit. Such interviews, site visits and/or audits will be at the bidder's expense except that the PRC will pay for its own expenses (transportation, meals, housing, etc.) Bidders should come to oral interviews prepared to answer the PRC's questions and the bidder's primary contact person (person signing the letter of transmittal accompanying the RFP or his designee) shall be present at all meetings with the PRC or FPSC.

MCI understands and will comply

21. Contract Document

The successful bidder will be required to sign a contract which will include the following elements:

a. The RFP.



- b. The bidder's Proposal in response to the RFP,
- c. A document identifying any modifications or clarifications to the proposal and identifying optional items contained in the proposal and desired by the FPSC to be included in the FRS.

All of the above items together will constitute a complete initial contract that will be approved by the FPSC's Executive Director on behalf of the FPSC.

MCI understands and will comply

22. Limited Liability

To the extent provided for in Florida Statute 427.707, the FPSC, its Advisory Committee and PRC assume no liability with respect to the RFP, proposals or any matters related thereto unless there is malicious purpose or wanton and willful disregard of human rights, safety or property in the establishment, participation in or operation of the telecommunications relay service. To the fullest extent permitted by law, all prospective service providers and their assigns or successors by their participation in the RFP process, shall indemnify, save and hold the FPSC and its employees and agents, including the Advisory Committee and PRC, free and harmless from all suits, causes of action, debts, rights, judgements, claims, demands, accounts, damages, costs, losses and expenses of whatsoever kind in law or equity, known and unknown, foreseen and unforeseen, arising from or out of the RFP and/or any subsequent acts related thereto, including but not limited to the recommendation of a bidder to the FPSC and any action brought by an unsuccessful bidder.

MCI understands and will comply

MCI shall indemnify, save and hold the FPSC and its employees and agents, including the Advisory Committee and PRC, free and harmless from all suits, causes of action, debts, rights, judgements, claims, demands, accounts, damages costs, losses and expenses of whatsoever kind in law or equity, known and unknown, foreseen and unforeseen, arising from or out of the RFP and/or any subsequent acts related thereto, including but not limited to the recommendation of a bidder to the FPSC and any action brought by an unsuccessful bidder resulting from the operations of MCI in its performance of this Agreement; provided that MCI shall have no liability for damages to the FPSC or any other person for any claim arising out of this Agreement,



unless such claim results from the intentional or negligent misconduct of MCI. In no event shall MCI be liable for any indirect, incidental or consequential damages sustained or incurred in connection with MCI's performance under this Agreement, regardless of the form of action, whether in contract, tort (including negligence), strict liability or otherwise; whether or not such damages are foreseen or unforeseen.

23. Disclaimer

All information contained in the RFP, including any amendments and supplements thereto, reflects the best and most accurate information available to the FPSC at the time of the RFP preparation. No inaccuracies in such information shall constitute a basis for change of the payments to the provider nor a basis for legal recovery of damages, either actual, consequential, or punitive.

MCI understands and will comply

24. Cancellation/Availability of Funds

The FPSC shall have the right to unilaterally cancel, terminate, or suspend any ensuing contract, in whole or in part, by giving the Provider sixty (60) days written notice by certified mail. If a breach of the contract by the Provider occurs, the FPSC may, by written notice to the Provider, terminate the contract upon 24 hours notice. Said notice shall be delivered by certified mail, return receipt requested, or in person with proof of delivery. The provisions herein do not limit the FPSC's right to remedies at law or to damages.

During the life of the contract, should funds become unavailable to support the telecommunications relay service system, the FPSC reserves the right to discontinue the service for a period of time, to adjust service specifications, or to discontinue the provision of certain services in order to reduce costs.

MCI understands and will comply



25. Public Bidder Meetings and Proprietary/Confidential Information

Written requests for confidentiality shall be considered by the FPSC as described in Chapter 364.183, F.S. Rule 25-22.006, F.A.C., should be followed in making a request.

Meetings held between the FPSC or PRC and bidder shall be open to the general public. Should the need arise to discuss any confidential materials, the FPSC or PRC will attempt to hold such a discussion by referring to the confidential material in a general way without closing the meeting. All meetings with bidders will be transcribed.

All material submitted regarding this RFP becomes the property of the FPSC and subject to Chapter 119, F.S. (Public Records Law). The PRC reserves the right to use any or all information/material presented in reply to the RFP, subject to any confidentiality granted via Chapter 364, F.S. Disqualification of a bidder does not eliminate this right.

MCI understands and will comply

26. Non-Collusion

By submitting a proposal, the bidder affirms that the proposed bid price has been arrived at independently without collusion, consultation or communication with any other bidder or competitor, that the said bid price was not disclosed by the bidder prior to filing with the FPSC, and that no attempt was made by the bidder to induce any other person, partnership or corporation to submit or not submit a proposal.

MCI understands and will comply

27. Changes in Contract

Any change in the contract shall be accomplished by a formal written contract amendment signed by authorized representatives of both the FPSC and the provider. No other document or oral communication shall be construed as an amendment to the contract.

MCI understands and will comply



28. Conflict of Interest

The award hereunder is subject to the provisions of Chapter 112, Florida Statutes (Public Officers and Employees). All bidders shall disclose with their bid the name of any officer, director, or agent who is also an employee of the state of Florida, or any of its agencies. Further, all bidders shall disclose the name of any state employee who owns, directly or indirectly, an interest of five percent or more in the bidder's firm or any of its branches.

MCI understands and will complies, with the following clarification:

Regarding the bidder, MCI Telecommunications Corporation (MCIT), no conflict exists because MCIT is wholly-owned by MCI Communications (MCIC). However, MCIC is a publicly-owned company with ownership of its publicly-traded stock changing daily, and therefore such information about individual ownership would be extremely difficult, if not impossible, to ascertain.

29. Minority Business

It is the policy of the Commission to encourage participation by minority business companies (as defined in s. 287.012, F. S.) in Commission contracts. If two identical bids/proposals to an invitation for bids or request for proposals are received and one response is from a minority owned company, the Commission shall enter into a contract with the minority owned company.

MCI understands

MCI shares the Florida Public Service Commission's position of encouraging participation by minority firms in any of its contracts. MCI is committed to doing business with minority and women-owned business suppliers, and views this as one of its key business strategies. MCI has received recognition and a number of awards for its minority and women-owned business activities.

An overview of MCI's Supplier Diversity/Sales Support strategy is provided in Appendix G.



B. The Service To Be Provided

1. Overview

This section of the RFP lists and describes the specific basic features of the relay service required to be provided. At the end of this section, the FPSC also requests the bidder to comment on (and in its price proposal, propose a price separate from the price for basic service for) the provision of optional services which are not required to be provided. The optional services offered will not be evaluated until after a bidder is selected; at that time, the FPSC may choose to purchase some or all of those services in addition to the basic services.

MCI understands and will comply

2. Scope of Service

The relay service shall be designed to provide the means by which a hearing, speech or dual sensory impaired person using a TDD can communicate over the existing telecommunications network with a non-TDD user (and vice-versa) through the use of the relay system. The service shall also provide other telecommunications services to persons with hearing and speech disabilities as further described below.

The FPSC is interested in providing a relay service that is as cost efficient as possible while at the same time providing a service as equivalent to standard telecommunications service as possible.

MCI understands and will comply

The MCI TRS system is designed to enable deaf, hard-of-hearing, speech disabled and dual sensory disabled persons to access the switched public telephone network to communicate with persons who do not use a terminal device and vice versa. The MCI TRS system incorporates numerous services and features that are further described in this response. The MCI TRS system is developed using state-of-the-art technology to assure the most efficient and cost-effective service possible.



3. Commencement Date

The commencement date for the service is June 1, 1997. Bidders shall provide a work schedule showing how they can meet that deadline and shall provide a statement that they can provide the complete service by that date.

MCI understands and will comply

As the incumbent provider, the current Florida Relay Service Center is prepared to continue operation on June 1, 1997, with no interruption in service.

4. Term of Contract

Service shall begin on June 1, 1997. The term of the contract will be an initial three year period. Upon mutual agreement between the FPSC and the provider, the contract may allow for the term to be extended for an additional period.

MCI understands and will comply

5. Access Numbers

There shall be a single access number for TDD users and a single access number for voice users. TDD access shall be by using the number 800-955-8771 and voice access shall be by using the number 800-955-8770. At its discretion, the provider may utilize a separate number for access by users of ASCII terminals. The provider must request FPSC authority to use additional numbers for relay access (e.g., Spanish access, ASL access, etc.). If a caller calls the wrong access number, the system shall process the call without requiring the caller to redial.

MCI understands and will comply

The cost of 800 access to Florida Relay Service will be part of the cost of providing TRS service and will be included in MCl's overall cost per minute. The two available numbers, 1-800-955-8771 for TTY users and 1-800-955-8770 for Voice users will be maintained. In addition to the existing access numbers, MCl may elect to add a separate 800 access number for ASCII callers. The MCI TRS system will be capable of overriding default answer modes to accept incoming calls in any



protocol. MCI will work with the Commission and the advisory committee if additional access numbers are desirable or feasible.

6. Location of Relay Center

The provider shall not be required to physically locate the relay center in the State of Florida, however, evaluation points will be awarded if traffic is handled at a Florida located relay center. The bidder shall identify the location(s) of the relay center(s) that it plans to utilize to handle Florida relay traffic; if this involves more than one location, the bidder shall identify the locations where relay traffic will be handled, the percentage of traffic it expects initially to handle at each location and how it will decide to allocate the traffic to multiple locations over time.

The minimum percentage of Florida traffic that will be handled at a Florida located relay center (except when emergency conditions exist at the Florida located relay center) shall be specifically stated in the proposal. Evaluation points will be awarded based on this minimum percentage of Florida traffic to be handled at the Florida located relay center. A maximum of 100 points shall be awarded if all Florida relay traffic (except in emergency conditions) is to be handled at a Florida located relay center; if a lesser percentage is to be handled at a Florida located center, then the number of points shall be equal to the percentage of Florida traffic to be handled at a Florida located relay center. For example, a bidder proposing a relay service that will handle 75% of Florida's relay traffic in state (except under emergency conditions) will receive 75 points. Emergency conditions that would justify handling what is normally Florida traffic outside the state would include situations such as natural disasters, bomb threat, etc. and would not include traffic spikes.

Throughout the life of the contract, the provider shall provide a written notification to the FPSC whenever it makes a change in the traffic handling plan contained in its bid proposal regarding how the percentage of Florida traffic handled outside of the state is distributed. The minimum percentage of Florida traffic to be handled at a Florida located center shall not be changed during the life of the contract.

MCI understands and will comply

MCI proposes to maintain call processing of all Florida Relay Service calls within the state of Florida except during instances of overflow or emergency re-routing.



7. Availability of System to Users

The service shall be designed to relay local, intrastate toll and interstate and international calls that originate or terminate in Florida. Relay service shall be available 24 hours per day every day of the year.

No restrictions shall be placed on the length or number of calls placed by customers through the relay center.

MCI understands and will comply

MCI recognizes that the availability of relay service to a relay user is as important as dial tone is to a non-relay user. Service is expected to be there at all times, from any location, 24 hours per day, seven days per week, holidays, nights and weekends included. To that end, MCI relay centers are equipped with redundant computer, communications, electrical, and critical environmental systems to protect against loss due to localized system failure. Also recognizing that on rare occasions, systems fail from man-made or natural causes, re-routing plans are preprogrammed into the MCI TRS system so that if the relay center becomes unusable for any reason, calls may be re-routed to another MCI TRS center.

MCI will impose no restrictions on the length or number of calls a user may place through the Florida Relay Service.

8. Minimum CA Qualifications/Testing

The provider shall adequately supervise and train its employees to always be courteous, considerate and efficient in their contact and dealings with its customers and the public in general, and shall make checks from time to time to ensure that courteous service actually is being rendered.

Bidders shall specify how they plan to demonstrate that CAs meet all necessary proficiency requirements. CAs shall be able to quickly and accurately type TDD relay messages. The provider shall use valid, unbiased tests for CAs on subjects including, but not limited to:

a. Basic skills in English grammar.

MCI understands and will comply

Applicants are tested for English language grammar and spelling skills equivalent to a beginning college level. An unbiased and validated



instrument, the Office Skills Test by Science and Research Associates, a London House Product Group, is used to evaluate applicants. This test is unbiased and validated. All applicants are required to have a high school diploma or General Equivalency Diploma.

Applicants identified as having a fluency in the Spanish language wishing to relay in Spanish as well as in English are tested for Spanish language grammar and spelling skills as well as those skills in English. The Spanish language skills tests were developed by an internationally recognized language center and measure skills equivalent to a beginning college level.

Applicants must pass the English language skills test with a composite score of 90% in order to secure an English-only relay position. Applicants wishing to relay in both English and Spanish must pass both sets of tests with a composite score of 90% in each language.

b. A minimum typing speed of 55 correct words per minute.

MCI understands and will comply

Individuals applying for the Communications Assistant position will be required to type at a speed of at least 55 correct words per minute from spoken scripts. MCI and D.E.A.F. will use auditory (voice to text) typing skills testing, as this more closely relates to the way actual relay is performed. Auditory typing skills testing will also be conducted in the Spanish language. Typing speed and accuracy will be evaluated quarterly in quality assurance evaluations.

c. Minimum spelling skills sufficient to quickly and easily spell words comparable to a beginning college level conversation.

MCI understands and will comply

As indicated under Part A above, spelling skills are part of the proficiency requirements an applicant must demonstrate.

d. An understanding of characteristics of limited written English and American Sign Language (ASL) as it may be reflected in the written language of TDD users.



- e. Deaf culture.
- f. Ethics, e.g., how a CA deals with situations he may encounter.
- g. Confidentiality.

MCI understands and will comply

During training, CA Trainees will be administered written examinations evaluating a variety of relay-related topics, including but not limited to:

- ASL-influenced English ("TTY-ASL"): structure, syntax and it's impact on relay services
- Deaf Culture, demonstrating knowledge as well as comparing and contrasting to other service users (i.e. Hard of Hearing, Hearing, Speech Disabled)
- Ethics, understanding and application thereof
- Confidentiality, understanding and application thereof

Test items will be presented in a variety of formats including, true/false, multiple choice, matching and fill-in-the-blank questions. Any trainee failing to achieve at least 80% overall proficiency on the written examinations within the three-week introductory training period will not be permitted to continue employment.

In addition to written examinations, monitoring of live call processing will be conducted from a remote location, both during and upon completion of training. Evaluations will be conducted utilizing a standardized call processing evaluation form. This form will require observation of the appropriate performance of ethical requirements, such as verbatim relay, informing customers of non-conversational information (ambient sounds, background conversations, etc.), neutrality and non-interference, and call integrity (relaying both the content and the intent of a call). Excluding extenuating circumstances, trainees will be provided a maximum of two opportunities to demonstrate 100% proficiency on the items covered on the call processing evaluation form. Individuals failing to achieve 100% will not be permitted to continue employment.

Each CA will be monitored from a remote location performing live calls on a quarterly basis. A standardized quality assurance call processing evaluation form will be utilized to assure that each CA is consistently maintaining all performance standards previously evaluated. Failure to achieve acceptable proficiency levels will result either in re-training or removal of the individual from the CA position.

h. Clarity of speech.

Any person who has not passed this examination shall not be utilized as a CA. CAs shall be retested at least annually.

MCI understands and will comply

MCI and D.E.A.F. will conduct valid, unbiased clarity of speech testing in the introductory training and evaluation process. Applicants will be required to pass an evaluation that demonstrates their ability to speak clearly by assessing tone, volume, pace, clear enunciation and articulation, pitch, good inflection and self-confidence. Speaking clearly will be defined as the ability to speak in a friendly, pleasant tone with appropriate volume, pace, enunciation, articulation, and inflection.

In addition to the initial screening of speech quality which will be conducted, quarterly evaluation of CA performance will include evaluation of clarity of speech.

9. CA Training

Each bidder shall demonstrate in its proposal how ongoing CA training will be provided by including with its proposal an outline of a proposed CA training plan. The provisions for CA training shall include, but not be limited to, an understanding of limited written English and ASL, deaf culture, needs of hearing and speech disabled and dual sensory impaired users, ability to speak in a tone of voice consistent with the intent and mood of the conversation, operation of relay telecommunications equipment, how to handle hearing and voice carryover, ethics, confidentiality and other requirements of the Provider's operating policies and procedures. Training shall include both simulated and live on-line call handling.

MCI understands and will comply

Training Plan

MCI and D.E.A.F. recognize the relationship between understanding customer perspectives and the commitment to quality service. We strongly believe a thorough training program is the means by which this



may be achieved. Therefore, D.E.A.F. will employ appropriate personnel dedicated to the training function in the relay center. Training personnel will include staff with demonstrated skills and training in telecommunications relay services, employee training and development, Deaf culture, ASL and disability sensitivity and awareness. extensive training program will be provided by D.E.A.F. to persons providing both direct and indirect support to relay services. In addition to training which is custom designed to introduce relay skills to incoming staff, periodic ongoing employee development opportunities will be provided to incumbent personnel. Both ongoing and introductory training programs will remain highly flexible to address customer needs and technological improvements as they arise. This will ensure that Communications Assistants and related support personnel develop and maintain skills that will be responsive to customer needs.

Start-up CA Training Plan

As MCI and D.E.A.F. are the incumbent service providers, a plan for training CAs in a "start-up" will include any new features and specifications as a result of a new contract. CAs currently on-staff who meet all requirements as proposed will continue to be utilized as CAs. Any newly developed training topics resulting from areas identified in the current RFP but not previously provided to incumbent CAs will be offered in a skill update format.

CA Call Processing Training

It has been demonstrated that investment in an initial in-depth and high quality training significantly influences service quality on a long term basis. Therefore, D.E.A.F. will provide a detailed training program providing broad- based exposure to both the theoretical and practical skills that CAs need to meet the wide variety of customer needs that exist in Florida. Incoming CA training will consist of several topic areas.

Initially, CA trainees will attend call center training and evaluation to determine suitability to the duties of a CA. This process will include training and evaluation on the following skills:



- Understanding customer expectations
- Serving customers with special needs
- Listening skills
- Voice Qualities
 - Friendly, pleasant tone
 - Appropriate volume
 - Pace that is understandable
 - Clear enunciation and articulation
 - Modulating pitch
 - Good inflection
 - Self-confidence
- Basic Computer Skills

Upon successful completion of the preliminary training and evaluation process, CA trainees will begin relay skills training. Relay skills training will follow a three-week format that will utilize appropriate training strategies based on the topic content and target audience. Whenever possible, trainee-centered approaches addressing visual, auditory, tactile and combination learning styles will be offered to ensure the highest level of retention and skill transfer.

Training content will be as follows:

Week One

Section One

Human Resources orientation program

Section Two

- Quality customer service
- Deaf Culture/Linguistics

Deaf culture videotape and discussion: "Introduction to the Deaf Community"

Expanded Deaf culture discussion: Comparison and contrast with the hearing culture and the culture of other service users

The role of the interpreter in the Deaf community: Comparison and contrast to the role of CA's

Deaf awareness quiz

Introduction to sign systems

History of American Sign Language (ASL)

American Sign Language structure/syntax

Impact of American Sign Language on relay

Translation practice between ASL-influenced English and standard English



Section Three

Review Session

Deaf awareness

Deafness information survey

TTY abbreviations

Unfair hearing test

Discussion of serving Hard-of-hearing, Speech Disabled, Deaf/Blind and Special Needs customers

- Ergonomic awareness
- Demonstration of a call
- Console overview
- Developing quality voicing skills
- Vocabulary overview of relay terminology

Section Four

- Standard Relay, TTY-to-Voice: Discussion, Demonstration, Practice
- Putting it all together/Practice calls
- TTY-to-Voice answering machine

Section Five

- Written test number one
- Billing: Discussion, Demonstration, Practice
- Standard Relay, Voice-to-TTY and TTY answering machine: Discussion, Demonstration, Practice
- Putting it all together/Practice calls

Week Two

Section One

Review Session

Standard relay procedures review Ethics discussion: using good judgment

- Voice Carry Over: Discussion, Demonstration, Practice
- Supported handling of live calls/ Coaching

Section Two

- Hearing Carry Over: Discussion, Demonstration, Practice
- Trouble shooting garbling
- Beepers/I.V.R./911 calls: Discussion, Demonstration, Practice
- Supported handling of live calls/Coaching



Section Three

- Tips for quality relay discussion
- Supported handling of live calls/Coaching

Section Four

Written test number two Two-Line VCO: Discussion, Demonstration, Practice Supported handling of live calls/Coaching

Section Five

VCO to VCO: Discussion, Demonstration, Practice Supported handling of live calls/Coaching

Week Three

Live Calls with monitoring and Evaluations

Ongoing CA Training

In addition to initial training, D.E.A.F. recognizes the importance of maintaining skills on the basis of demonstrated need. D.E.A.F. will provide an extensive three-tiered follow-up system to ensure the maintenance of relay skills. This system will include one-on-one follow up training on a 30, 60 and 90-day basis, one-on-one mentoring addressing specific skill deficiencies identified either by customer input or by Quality Assurance screening, and centerwide topic updates.

D.E.A.F. will provide additional employee development opportunities as needed on such topics as:

- Stress management
- Workplace safety
- Motivation
- Team building
- Effective customer relations
- Effective communication skills
- Dealing with difficult people
- Effective supervision
- Improving English skills
- Improving Spanish skills
- Sign communication skills
- Goal setting
- Valuing diversity



These employee development sessions may be provided in a variety of formats including self-study, group facilitation, computer-based training, or as otherwise determined appropriate based on target audience and topic content. Both internal and external sources may be used as presenters on training subjects.



10. Staff Training

All relay center staff, including management, shall receive training in ASL, deaf culture, needs of hearing, speech and dual sensory impaired users, and ethics and confidentiality. Each proposal should include an outline of a staff training plan indicating training topics and time frames as well as explaining how individuals or organizations (such as deaf service centers, state agencies, universities, etc.) representing the hearing impaired community would be used to assist with the training.

MCI understands and will comply

MCI and D.E.A.F. strongly believe that all positions staffed within the relay center require experience/understanding of the functions of relay. Therefore, every effort is made to promote from within. Thus, many positions will be filled by personnel who previously have attended and passed CA training. For positions which require specific content skills and knowledge not available among staff, recruitment will address appropriate resources. All newly-hired staff will be required to attend and pass the same CA training, except in those cases where it is not possible (i.e. staff who do not hear will not be required to pass call processing evaluations, although they will be required to know and understand center procedures).

FOR TRAINING CONTENT, PLEASE SEE ITEM 9, "CA CALL PROCESSING TRAINING."

D.E.A.F. will utilize Deaf staff members to provide ongoing sign communication training to staff at the relay center. All training addressing linguistics or culture of the Deaf community will be provided by Deaf staff members. D.E.A.F. also will utilize staff members representative of other service customer perspectives as resources when addressing topics relevant to the service user group to which they belong. D.E.A.F. employs Deaf and Hard-of-hearing staff members in management, supervision, customer service and training capacities. Community resources such as user community organizations, deaf service centers and educational programs will be tapped when appropriate staff are not available or do not meet specific needs.

MCI and D.E.A.F. will also hold panel discussions and other activities where representatives from agencies and organizations serving consumer groups will be invited to participate. D.E.A.F. limits face-to-face interactions with CAs and consumers to promote anonymity for relay users and their direct service providers. Management, training and

customer service staff attend Deaf and Hard-of-hearing community events and participate in activities serving all user populations.

11. Counseling of CAs and Staff

Bidders are required to outline a counseling and support program that will help CAs and staff deal with the emotional aspects of relaying calls. Those providing this staff support shall have training in dealing with the emotional aspects of handling relay calls. However, in counseling sessions, the CA shall not give to the support person the names of callers involved. The counseling support system shall follow the confidentiality provisions of this RFP.

MCI understands and will comply

MCI and D.E.A.F. realize that the job of a CA can become stressful, whether due to obscenity or abuse from consumers or the nature of the work. To assist CAs with stress, our management and administrative staff maintain a strong open door policy. If a CA needs assistance or is in need of a person with whom to talk regarding any relay call or issue, he/she may go to his/her supervisor or human resources staff. CAs are trained and encouraged to talk with their supervisors after stressful calls or to request stress breaks and seek counseling when necessary.

Initial and on-going training will also assist CAs in remaining neutral and uninvolved in the customers' calls as a key factor in stress management.

As an additional resource to reduce stress, D.E.A.F. participates in the Employee Assistance Program (EAR). EAR provides free, confidential and non-judgmental counseling, referral, and follow-up services 24 hours a day, 365 days a year, via telephone. For those employees who take advantage of the company sponsored insurance package, other types of counseling are available. Employees can contact the Member Service Department for a referral.

Human resources and supervisory staff will ensure that private, confidential space is provided for any employee consulting EAR.



12. Procedures for Relaying Communications

The system shall be designed to convey the full content of the communication. Unless requested otherwise by a user, the CA shall relay all calls according to the following procedures.

a. The method to be used in the system is for the CA to be identified by a number (not name) followed by "M" if male and "F" if female. The provider shall establish a method which will allow identification of the CA in the event a complaint is filed or a user wants to praise the work of the CA.

MCI understands and will comply

Each CA will be identified by a unique, four-digit number, followed by an "F" or "M" to indicate the CA's gender. The CA console will automatically transmit this CA identifier to TTY users when they are greeted, and the CA will voice hihe/sher number to non-TTY relay users. The CA identifier will be given to both the originator and terminator of a relay call at the beginning and closing of the call. The customer may also request the CA's number at any time during a relay call. A confidential list of CA numbers will be maintained by center management for the purpose of resolving complaints or attributing praise from customers. The CAs' numbers will be included in the billing detail records, which will allow center management to determine which CA handled a call should any CA fail to give hihe/sher number or if the customer misses or forgets it.

b. The system shall keep the user informed on the status of the call, such as dialing, ringing, busy, disconnected or on hold throughout the call session. The system shall provide feedback to callers on call status within 10 seconds after a caller has provided the number to call and continue to provide feedback until the call is answered.

MCI understands and will comply

The CA will keep all parties of the call constantly informed of its status. For TTY users, the CA will type instantly whatever he/she hears on the other end of the line, including ringing, busy signals and disconnects. Hot keys, macros that are preprogrammed into the CA console, are provided for common call events such as dialing, ringing, busy signals and disconnects. These enable the CA to provide feedback to the callers more rapidly than if he/she typed the same information. During call setup, the system will keep non-TTY users informed by allowing



them to hear what is happening on the other line for themselves and the CA will communicate verbally any additional information regarding the status of the call.

c. All users shall have the option of telling the CA what aspects of the call that he/she will handle. For example, the TDD user may voice the call (voice carryover), rather than have the CA do it or the caller may ask that relay be explained as soon as someone answers the call.

MCI understands and will comply

MCI's relay technology provides a wide variety of options for relay users, allowing them to customize their relay experience according to their personal preferences and handle whatever aspects of the relay call they choose. The CA will comply with any special requests made by the user that do not fall outside the limits of confidentiality, ethics and available technology. MCI currently maintains a database of *customer profiles*, a listing of customers who have expressed particular preferences about how their calls are handled. When a customer with a caller profile dials into the center, the CA console automatically configures itself to handle hihe/sher call in the manner he/she prefers.

d. When the call is first answered and at all times during the conversation, the system shall type to the TDD user or verbalize to the non-TDD user verbatim what is said or typed unless the relay user specifically requests summarization. If the CA summarizes the conversation, the CA shall inform both parties that the call is being summarized.

MCI understands and will comply

When instructed to summarize a recording, or in a call wherein the CA cannot communicate to the voice user to ask them to slow down or repeat something, any words the CA was unable to type will be replaced with an ellipsis ("..."). The CA will inform the voice user whenever summarization has been requested by the TTY user. MCI and D.E.A.F. will educate the user publics to this system and practice.



e. When the CA is asked to explain relay to a user, the CA shall express the term "explaining relay" to the other user on the call to let them know what is happening rather than transmitting all of the explanation. The CA shall not inform the telephone user that the TDD user is hearing or speech disabled unless the TDD user asks the CA to do so.

MCI understands and will comply

The CA will inform the TTY user that he/she is explaining relay to another party to the call by sending the hot key, "explaining relay."

The CA will inform the TTY user that he/she is explaining relay to another party to the call by sending the hot key, "explaining relay."

The CA will explain relay to telephone users in a way that does not identify the TTY user as Deaf, Hard of Hearing or Speech Disabled, unless the TTY user specifically requests that the CA identify him/her as such. The CA will use prepared scripts for explanations of service, designed to avoid such identification.

f. When speaking for the TDD user, the CA shall adopt a conversational tone of voice appropriate to the type of call being made and conveying the intent and mood of the message. The CA shall also indicate identifiable emotions by typing those in parentheses, (e.g., he's laughing, he's crying). Any identifiable background noises shall be relayed to the TDD user in parentheses. The CA shall identify to the TDD user, if identifiable, the gender of voice users when they first come on the line. All of the above should be done automatically unless the user asks that it not be done.

MCI understands and will comply

The CA will be trained and expected to voice with inflection and expression what the TTY user types, using the context of the conversation and clues, such as the pace of the typing, use of spacing, word choices and punctuation as a guide. The CA will also type what they hear expressively to the TTY user whenever possible, e.g. "Wowww, that's greeaaatttt." Any identifiable emotions expressed nonverbally by the voice user will be communicated in parentheses to the TTY user.

Also, because TTY customers have repeatedly expressed their desire for a more distinct identification of the tone of voice callers use, MCI and D.E.A.F. will provide this information whenever possible. At least once on every call, the CA will identify the tone of voice used by the voice



caller, whenever discernible. This will be done using parentheses and such words as "sounds" or "sounds like" to clarify that the CA is identifying how the customer sounds, e.g. "sounds business-like."

The CA will type identifiable background noises to the TTY user in parentheses, as "(...in bkgd)." ("Background" is abbreviated to save time and TTY paper.) MCI's CA console allows the CA to continue typing background noises and things said by the telephone user while the TTY user is typing, and transmit this information to the TTY user after he/she finishes. This information is also sent in parentheses and identified as, "(While u typed...)"

Whenever the gender of the voice user is identifiable, the CA will inform the TTY user by sending "(M)" or "(F)" prior to typing the voice user's first words.

These features are standard practice, and the CA will provide these services unless the customer specifically asks that it not be done.

g. CAs shall indicate to the user, if known, if another person comes on the line.

MCI understands and will comply

The CA will inform the TTY user, in parentheses, if a different person is speaking, and will type any intelligible background conversation in parentheses. The CA will also keep the TTY user informed of any line noises that may indicate another person's presence on the call.

h. All comments directed to either party by the CA or to the CA by either party shall be relayed. These comments shall be typed in parentheses. However, comments between the CA and a relay user at the beginning of a call which deal with billing information need not be relayed to the other user.

MCI understands and will comply

i. CAs shall verify spelling of unfamiliar proper nouns, numbers, addresses, information about drug prescriptions and other unfamiliar words that are spoken and are to be relayed.

MCI understands and will comply



j. The CA will stay on the line until both parties have terminated the call.

MCI understands and will comply

k. CAs shall not counsel, advise or interject personal opinions or additional information into any relay call. This also means the CAs shall not make any value judgements on the profanity or obscenity or legality of any messages. Furthermore, the CAs shall not hold personal conversations with anyone calling the system.

MCI understands and will comply

The CA will be trained in relay ethics and regularly evaluated to ensure he/she observes these requirements. CAs must demonstrate their understanding of their function as a "human telephone wire" during their initial training and before handling live calls. If asked for advice by a customer, the CA will respond, "the relay service cannot provide opinions or suggestions," and call a supervisor if pressured further to get involved in the call.

- 1. CAs will leave messages on answering machines or other voice processing systems using the following steps:
 - i. The CA will relay any message received from the called party's machine/system.
 - ii. If the caller transmits a message, the CA shall attempt to leave the message and advise the caller if the machine/system timed out before completing the message. At the caller's request, the CA shall make as many repeat calls as necessary at no cost to complete the message.

MCI understands and will comply

MCI has upgraded the TRS operating system to assure that MCI stays on the cutting edge of TRS technology. The MCI TRS system includes a digital chip to capture incoming message. This enables the CA to play back messages as needed in order to complete a call that terminates to an interactive system. Messages will automatically erase when the call is terminated.

m. CAs will retrieve messages from voice processing systems and relay a TDD message to a voice user or a voice message to a TDD user. The provider shall have procedures for obtaining any necessary system access codes from



the user and keeping that information confidential. Upon request by a user, the CA shall listen to messages on the user's own answering machine (e.g., at his home while the user is at home) and shall relay back contents of such messages to the user.

MCI understands and will comply

For TTY users, the CA will listen to the caller's voice messages and capture messages into memory on his/her console and transmit them back to the caller via TTY. For non-TTY users, the CA console will capture TTY messages that have been left on a voice recorder, and the CA will read them to the caller. The information kept in memory on the CA console is erased immediately and automatically upon termination of the call.

n. Users shall not be required to give their names or the name of the party they are calling, unless needed for billing.

MCI understands and will comply

The CA will use an appropriate script when greeting the terminator, depending on whether or not the caller gives his/her name and the name of the person he/she is calling. Only information necessary for proper billing is required of relay users.

o. For each incoming call, the CA shall without delay make as many outgoing calls as requested by the caller.

MCI understands and will comply

There is no limit to the number or duration of outgoing calls.

p. If a user requests that a CA of a specific gender be used, the system shall comply whenever possible.

MCI understands and will comply

CA applicants are recruited and trained so as to maintain the capability to honor gender-specific requests by users.



q. If a user requests that the same CA be used during the entire conversation, the system shall comply whenever possible.

MCI understands and will comply

Except for extended conversations, the same CA is used for the duration of the call.

13. Languages Served

At all times, the provider shall make available CAs with the capability to provide relay service to users who use either English, Spanish or ASL (American Sign Language) on their relay call. Translation from one language to another is not required.

MCI understands and will comply

While the majority of TRS calls are relayed in English, a Spanish speaking relay user may access the Florida Relay Service and request a Spanish speaking CA at any time. Upon receiving such a request, the call will be transferred to a CA capable of handling the call. Florida Relay Service does not translate from English to Spanish and vice versa. At all times, Florida Relay Service will have a Supervisor or Communications Specialist available to assist with relaying calls that are influenced by usage of American Sign Language.

MCI and D.E.A.F. have implemented a Spanish Relay program which includes a Spanish Relay Coordinator and separate testing and pay rates for CAs who can relay in both languages. Staffing will be planned according to established projected volume and managed by the center's workforce management scheduling software. MCI has examined the feasibility of establishing an unique 800 access number for Spanish relay users which will ensure fast and consistent service.

MCI and D.E.A.F. are fully committed to providing the best possible service to all relay customers and take great care in ensuring that those customers whose relay usage is influenced by ASL grammar and syntax receive consistent service at all times. CA training, initial and ongoing, will include specific instruction and evaluation in relaying between ASL-influenced English and standard English or vice-versa. D.E.A.F. provides free on-site ASL classes for all employees and supports maximum development of signing skills for all center staff members.



Additionally, D.E.A.F. provides 24 hours/7 days per week coverage of all shifts by staff who are highly knowledgeable of ASL and can assist with all difficult calls of this nature.

14. Shift Advisor/Consultant

On each shift the provider shall employ in the relay center at least one person who is highly knowledgeable of ASL in order to serve as an advisor/consultant to assist CAs in understanding the intent of messages and properly communicating the full content of communication.

MCI understands and will comply

MCI understands and will comply. D.E.A.F. staffs each shift with at least one shift supervisor or communications specialist who is capable of assisting CAs in understanding the intent of messages and properly communicating the full content of communication. D.E.A.F. keeps statistics of all incidences when ASL assistance is requested or required to ensure full coverage for customers' needs and conscientiously provides backup for any shortage.



15. Confidentiality of Calls

As required by s.427.704(1)(c), F.S., all calls shall be totally confidential; no written or electronic script shall be kept beyond the duration of the call. CAs and supervisory personnel shall not reveal information about the content of any call and, except for the minimum necessary for billing, complaint processing, statistical reporting or training purposes as further described in this RFP, shall not reveal any information about a call. CAs and supervisory personnel shall be required to sign a pledge of confidentiality promising not to disclose the identity of any callers (except for the reasons discussed in this section) or any information learned during the course of relaying calls, either during the period of employment as a CA or after termination of employment.

- a. When training new CAs by the method of sharing past experience, trainers shall not reveal any of the following information:
 - i. names of the parties to the call
 - ii. originating or terminating points of specific calls
 - iii. specifics of the information conveyed
- b. CAs shall not discuss, even among themselves or their supervisors, any names or specifics of any relay call, except as necessary in instances of resolving complaints, bill processing, emergencies or for training purposes. CAs may discuss a general situation with which they need assistance in order to clarify how to process a particular type of relay call. CAs should be trained to ask questions about procedures without revealing names or specific information that will identify the caller.
- c. Watching or listening to actual calls by anyone other than the CA is prohibited except for training or monitoring purposes or other purposes specifically authorized by the Commission. FPSC staff shall be permitted to observe live calls for monitoring purposes but shall also comply with the confidentiality provisions above.
- d. A copy of the Confidentiality Policy shall be provided to a user upon request and at no cost.

MCI understands and will comply

MCI and D.E.A.F. realize that one of the most critical aspects of relay involves the trust placed in the service that any and all call content remains confidential. MCI and D.E.A.F. understand that the rules regarding confidentiality are beyond question and form the basis of any relationship between a TRS center and its customers. No written or electronic script shall be kept beyond the duration of the call. CAs and supervisory personnel shall not reveal information about the content of



any call except for the minimum necessary for billing, complaint resolution, statistical reporting, quality assurance or training purposes. Both the call origination and termination points shall be deleted from the system with the exception of billing records. All relay service personnel will be required to sign and adhere to a pledge of confidentiality before actively beginning employment. This pledge requires individuals to promise not to reveal the identity of any caller or fellow relay employee nor any information learned during the course of relaying calls either during the period of employment or after termination of employment.

For the purposes of tours, demonstrations, and public relations presentations, MCI will provide facilities and equipment separate from the relay floor that consists of actual equipment used by Communications Assistants along with standard telephone and TTY. This will be used to conduct mock calls for demonstration purposes. Such an arrangement allows MCI to provide real life demonstrations of the relay process, allow participation in the experience to varied groups and maintain the confidentiality of the service.

During the initial training process, D.E.A.F. uses scripted formats to share past relay experiences and introduce new hires to types and examples of breaches of confidentiality. These formats do not include names of actual callers, originating or terminating points of any calls made through the service, nor any specifics of any information conveyed by users of the system.

CAs are trained to ask questions regarding procedures without revealing names or specific information that might identify any caller. CAs are prohibited from discussing, even among themselves or supervisors, names or specifics of any relay call, except as necessary in instances of resolving complaints, bill processing, quality assurance evaluations, on-line training purposes or emergency situations.

Watching or listening to actual calls by anyone other than the CA will not be permitted except for supervision, quality assurance, problem resolution, training or FPSC authorized purposes. Breach of confidentiality may result in termination of an employee. MCI or D.E.A.F. will investigate any claim of breach of confidentiality. If the claim is valid, the employee will be terminated. MCI and D.E.A.F. strictly enforce policies related to confidentiality and relay ethics and will make a copy of that policy available to users upon request.

At any time a user may request and will be provided a copy of the FRS Confidentiality Policy at no cost.

16. Voice and Hearing Carryover

Provider shall provide both voice and hearing carryover upon request of the user. A TDD user may request voice carryover (VCO) which will allow him/her to speak directly to the telephone user and receive the message typed back on the TDD. Also, a TDD user may request hearing carryover (HCO) which will enable the TDD user to directly hear what the telephone user is saying and type back hihe/sher message which will be spoken by the operator.

The provider shall provide 2-line VCO which will allow a relay user with two telephone lines and a conferencing feature to use one of his lines for a TDD call to the relay center and his second line for a voice call directly to the called party using the relay center line.

The provider shall make provision for two persons who are hearing disabled to speak for themselves by means of voice carryover to voice carryover (VCO to VCO) and for two persons who are speech disabled to hear for themselves by means of hearing carryover to hearing carryover (HCO to HCO).

MCI understands and will comply

Voice Carryover (VCO) and Hearing Carryover (HCO) are features MCI provides to the customers of all its relay centers upon request. VCO allows TTY users the option of expressing themselves with their own voice. This allows VCO users to convey meaning and emotion to someone who may be familiar with their voices, while having the telephone person's comments typed to them. HCO allows the TTY user the option of hearing the telephone user, while typing hihe/sher responses to the CA who then voices.

MCI allows VCO/HCO callers to customize their relay calls by setting up to connect immediately in their desired mode. The TTY user can then immediately use VCO/HCO for call setup, actual call, subsequent calls and call termination. The TTY user simply dials into the MCI center and the service recognizes the caller's call type. The user's entire call is processed in their selected mode. This eliminates the need for VCO/HCO callers to type their initial greeting and instructions.

MCI recognizes the needs of TTY users who might be ready to utilize ASCII in conjunction with VCO. Based, in part, on the increased options that are part of the standard state-supplied assistive device (TTY), the number of ASCII capable customers will increase. VCO callers who wish to utilize this function can be routed to positions capable of allowing data (typed text) to be interrupted by the voice path (voice

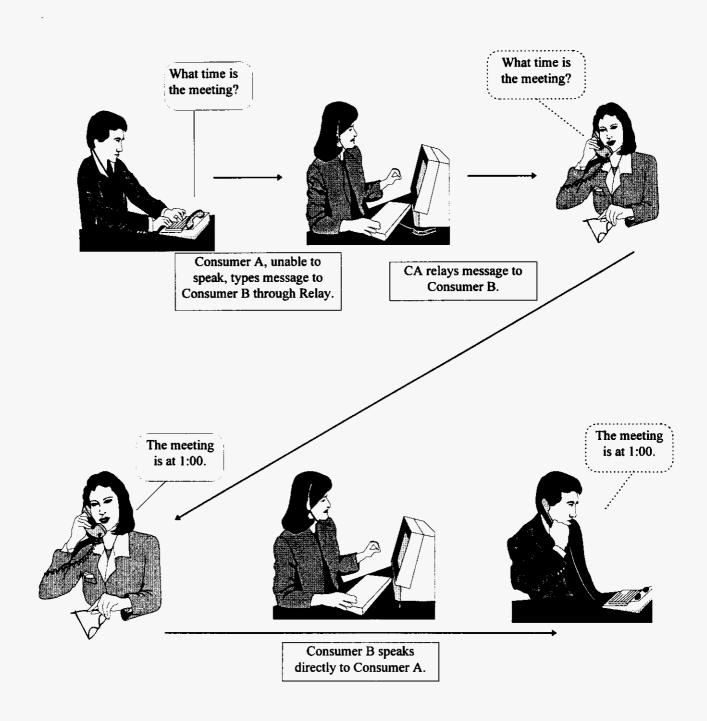


carryover). Calls connected in this manner would then resemble standard VCO calls.

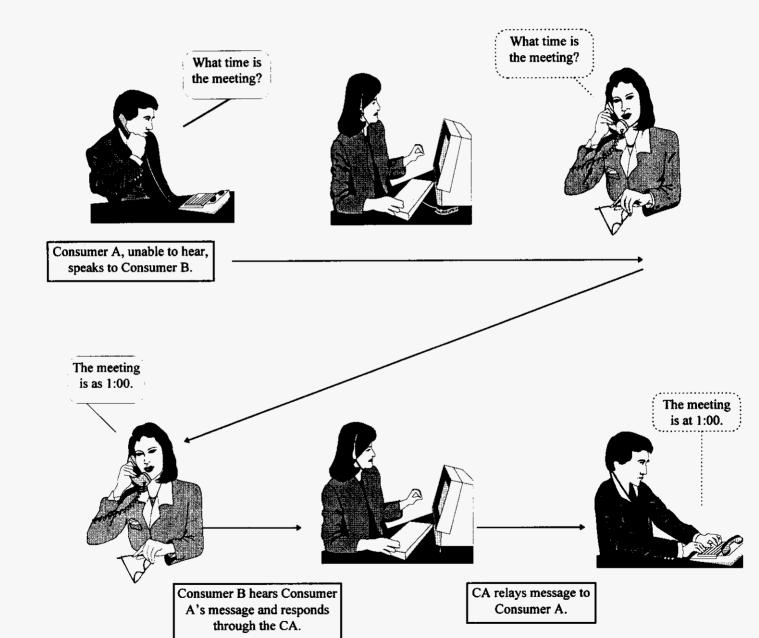
FRS users currently have and will continue to utilize 2-line VCO service. Callers are able to connect with the relay service as originator and terminator and conference in a 3-party. Hence, the 2-line VCO designation. The CA then types the conferenced portion to the originator without "GA," punctuation or error correction. The 2-line VCO originator is able to read the terminator's typed words, while speaking through a second line.

FRS VCO/HCO callers will also be able to have their calls relayed to other VCO/HCO users. MCI utilizes a setup that allows both VCO/HCO portions to be communicated to each party. In VCO, while one user is speaking, the CA will type the spoken words into text on the other user's equipment. Each VCO user will take turns speaking to the other VCO user. HCO users will take turns listening and respond by typing.

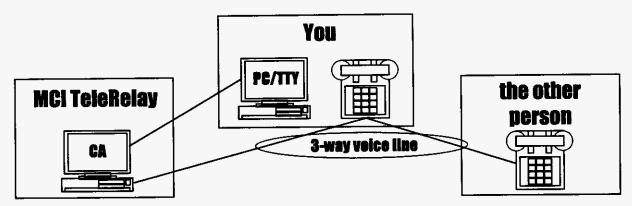
HCO BRIDGE



VCO BRIDGE



2LV_{Two-Line} Voice Carry-Over



Equipment Needed:

Two separate phone numbers:

- one line for a PC or Direct Connect TTY
- one line for voice phone with 3-way calling or conference capability

How to Make a 2LV Call:

- Call MCI TeleRelay from your TTY line. Tell the CA that you want to make a 2LV call, and give the CA your voice number.
- When the CA calls your voice line, use the 3-way calling to dial the number you want to call and conference-in the CA. (How you do this will depend on the type of phone system you use.)
- The CA will type everything on the other end of the voice line. Relay will not be identified or explained. You will be speaking directly to the other person, and will not need to say "go ahead" or wait for a "GA."

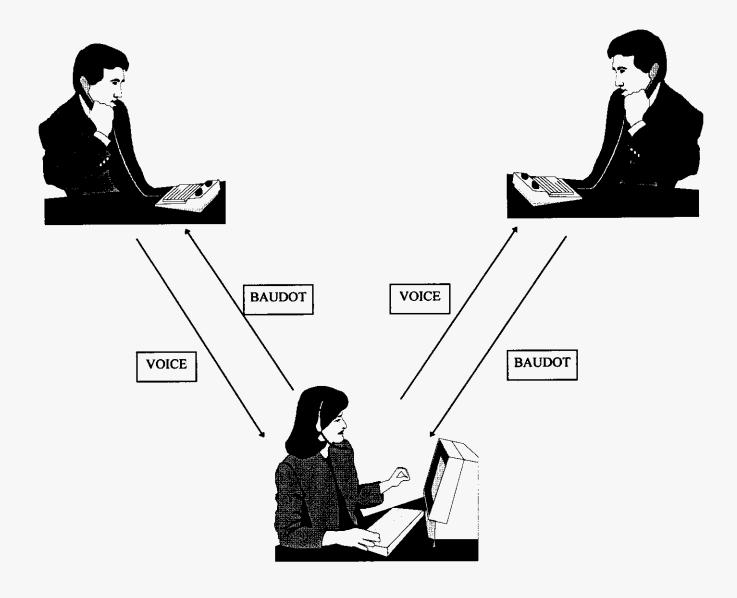
to Receive a 21V Call:

The call should come in on your voice line. Answer the call by voice and ask the caller to hold for the Relay Service.

Use the 3-way calling to put the caller on hold and dial the MCI TeleRelay. Tell the CA that this is a 2LV call and give the CA your TTY number.

After the CA calls your TTY line, conference-in the caller on the voice line. The CA will begin typing everything on the other end of the voice line.

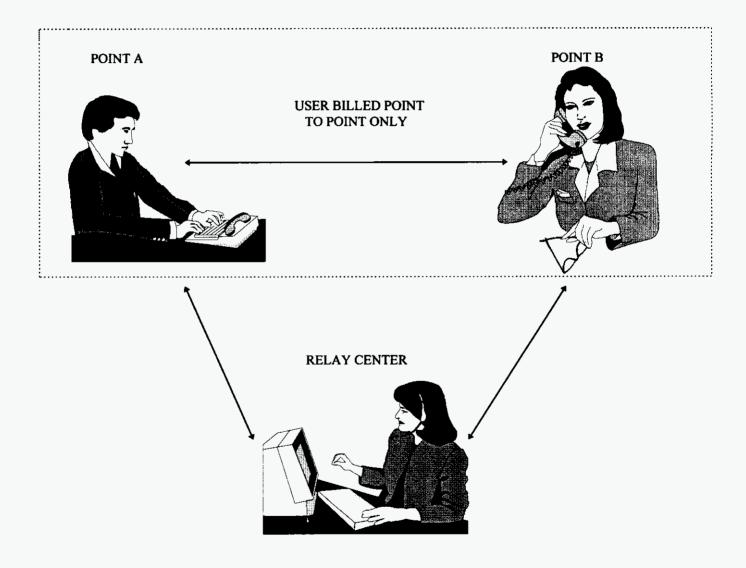
SPEECH TO SPEECH CALLING



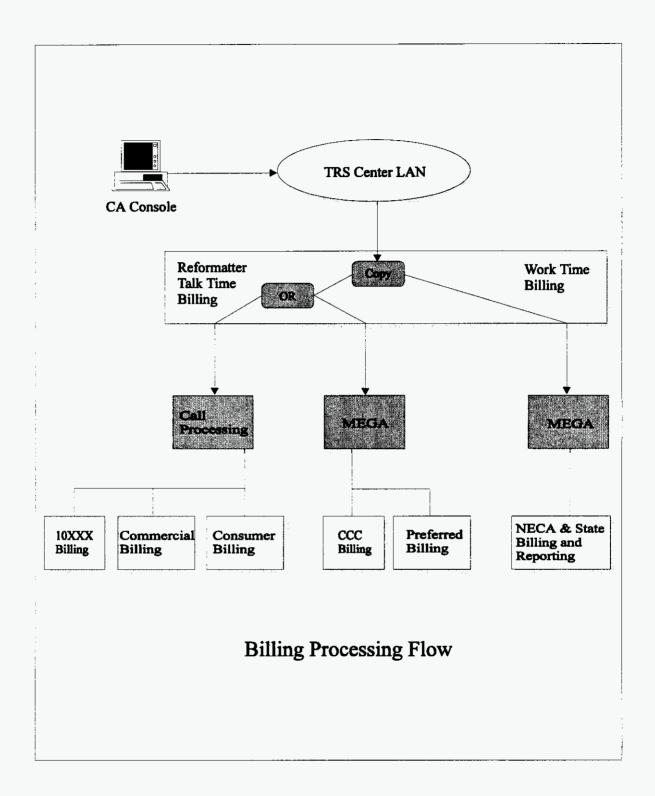
VCO to VCO enables two speech disabled users to communicate with each other through a CA specially trained to listen to the speech disabled user and type to the other party.

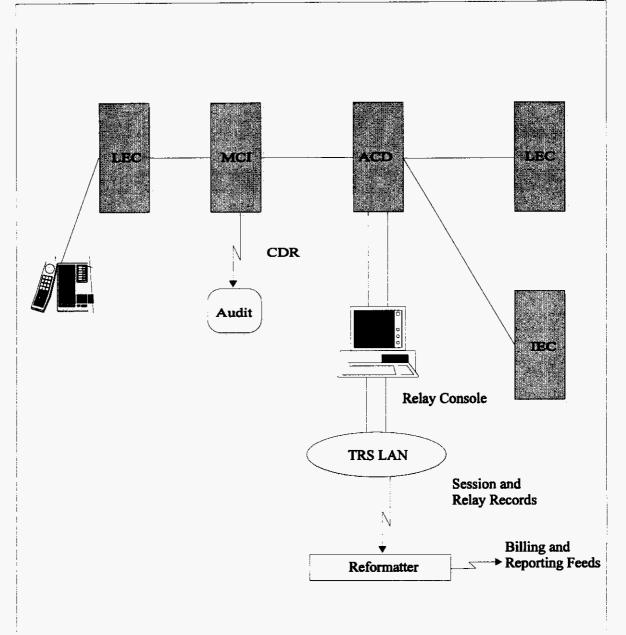
VCO to VCO also enables two hard of hearing persons, who prefer to speak but receive messages on a terminal device, to communicate with each other.

Virtual Call



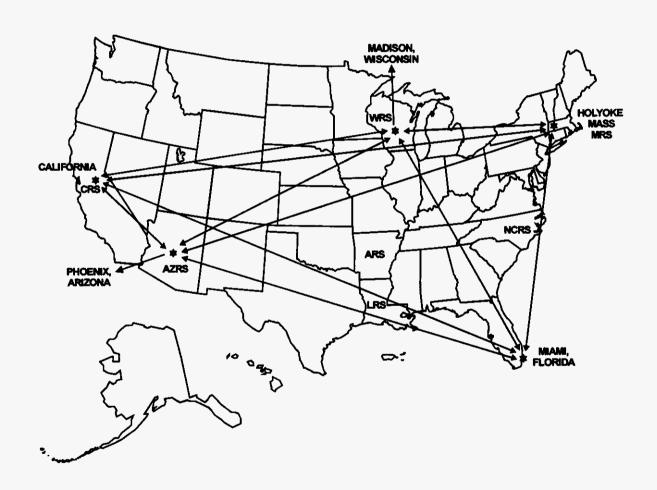
REGARDLESS OF THE LOCATION OF THE RELAY CENTER WHERE THE RELAY CALL IS HANDLED, THE USER IS BILLED ONLY FOR POINT A TO POINT B.





Billing Information and Call Record Flow

MCI TRS CENTERS



17. Obscenity Directed at the Operator

CAs do not have to tolerate obscenity directed at them. A proposal should specify how the provider will handle these situations.

MCI understands and will comply

MCI and D.E.A.F. believe from experience that the incidence of customer abuse toward CAs is greatly reduced by solid introductory and ongoing training. Dealing with difficult customers and handling sensitive situations are techniques taught by training staff and reinforced by operations management. Nonetheless, there will be times when abuse is directed toward CAs. MCI and D.E.A.F.'s policy holds that CAs are not required to listen to or look at abuse directed toward them (usually obscenities). A CA may call a supervisor to intervene in such a call immediately, in the event that he/she does not wish to be exposed to abuse and/or obscenities directed towards him/her. The supervisor will then explain to the caller that such abuse is not allowed and determine the resolution of:

- returning the call to the original CA,
- transferring the call to another CA, or
- disconnecting the call in any instance where the customer persists in obscenity or abuse.

CAs who chose to handle abusive customers for themselves without conflict must remember never to get involved with the call or to carry on a personal conversation with a customer.

CAs may never elect to disconnect or transfer the call themselves; supervisory intervention is required for consistency of service standards.

18. Emergency Calls

Although most of Florida is covered by 911 communication centers prepared to handle TDD calls directly, the bidder shall develop and follow a policy for handling and referring emergency calls. The policy may include procedures for referring callers to emergency services and numbers other than 911.

MCI understands and will comply

In outreach presentations and material, MCI encourages TTY users to dial 911 directly rather than through the relay service. However, CAs are trained to relay calls to PSAPs and other emergency dispatchers, and will do so immediately when requested. Currently, MCI maintains a database of emergency numbers for the entire state of Florida which is accessible from the CA console. When a caller requests 911, the CA is usually able to dial the emergency dispatcher for that caller's area with only two key presses. The CA console automatically determines the appropriate emergency number based on the callers ANI, and summons In addition to the on-line database of a supervisor to the console. emergency numbers, printed listings of emergency numbers are kept at the supervisor's station. Numbers for poison control and TTY crisis hotlines will also be provided. The CA will relay between the caller and the emergency dispatcher and remain on the line until the caller has hung up and the emergency dispatcher no longer needs hihe/sher services.

19. Blockage

Provider is responsible for ensuring that 99% of calls reaching the relay center per day are either answered or continue to receive a ringing signal.

Provider is also responsible for ensuring that 97% of monthly random inbound test calls initiated by FPSC staff from various Florida locations are either answered or continue to receive a ringing signal.

Calls that are blocked must receive a network blockage signal of 120 impulses per minute.

MCI understands and will comply

MCI assures that the performance of the Florida Relay Service will meet the P.01 blockage standard. MCI monitors TRS center traffic on 30minute intervals. Calls are either answered or receive a ringing signal.



MCI assures that 97% of all calls from the user's perspective will be answered or receive a ringing signal.

Blocked calls arriving at the MCI switching equipment will receive a network blockage signal of 120 impulses per minute.

In addition to staffing the FRS center to meet projected call volume at all times, MCI uses Call Manager, a system which allows for instantaneous overflow of calls from one relay center to another to further prevent blockage.

20. Answer Time

Provider is responsible for answering 90% of all calls per day within 10 seconds of reaching the relay switch. Elapsed time is calculated from the time inbound calls reach the relay switch. In calculating the percentage of calls meeting the answer time standard, the numerator shall be the total number of calls per day that are answered (with a CA ready to serve) in 10 seconds or less. The denominator shall be the total number of calls per day reaching the relay switch except that the total shall not include calls abandoned within 10 seconds after reaching the relay switch. However, calls abandoned after 10 seconds shall be included in the denominator. (Exception: If the Provider is unable to differentiate between calls abandoned within 10 seconds and those abandoned after 10 seconds of reaching the relay switch, then all abandoned calls shall be included in the denominator.)

Provider is also responsible for answering 90% of random inbound FPSC staff test calls per month within 20 seconds after the last digit is dialed. Test calls may be initiated from various Florida locations by Commission Staff.

MCI understands and will comply

MCI assures that 90% of all incoming Florida Relay Service calls will be answered within 10 seconds of reaching the FRS switching equipment. This percentage will exclude calls abandoned ten seconds or less of reaching the FRS switch. MCI assures that 90% of all test calls initiated by FPSC staff will be answered within 20 seconds of the last digit dialed.

MCI and D.E.A.F. use workforce management software which tracks daily call volume and call patterns, creates accurate forecasts for future call volume, and determines, based upon those forecasts, the number of CAs required to answer incoming calls within the answer time requirements. The CA schedule is adjusted on a weekly basis to



respond to changes in call volume and call patterns. CAs are scheduled on a wide variety of shifts throughout the day, in order to answer the calls quickly at all times.

21. Equipment Compatibility

It is necessary for the system to be capable of receiving and transmitting in both Baudot and ASCII codes as well as voice. It is also required that relay systems be capable of automatically identifying incoming TDD signals as either Baudot or ASCII. All equipment shall be compatible with the basic protocol of TDDs distributed in Florida through the Administrator (Ultratec Model Nos. 100, 200, 400 and 4425 and Ameriphone Dialogue VCO).

MCI understands and will comply

MCI assures that the MCI TRS system is capable of receiving and transmitting in Baudot, ASCII and enhanced protocols and will automatically connect in the correct protocol. The MCI TRS system is compatible with the basic protocols of TDDs distributed in Florida by the Florida Telecommunications Relay, Inc. distribution program.

22. Transmission Levels

Transmission levels must be maintained within industry standards for cross talk and distortion for relay calls. Bidder must provide along with its proposal a copy of transmission level standards adopted by the Industry Carrier Compatibility Forum or equivalent acceptable industry standards. Provider must provide updates to those standards as amended during the term of the contract and must meet the then current standards for 95% of calls per month as measured from an end user's perspective.

Transmission shall be at adequate volume levels and be free of excessive distortion. The total levels of noise and crosstalk shall be such as not to impair communications.

MCI understands and will comply

The MCI network and facilities will meet or exceed all of the following industry standards relating to transmission parameters (levels, distortion, crosstalk, etc.) and performance.



- Bellcore, BOC Notes on the LEC Networks, SR-TSV-002275, Issue
 2, April 1994, Section 7 Transmission, and, the applicable references
- Bellcore, LSSGR, TA-NWT-000507, Issue 2, October 1993, Section 7, Transmission, and, the applicable references
- American National Standards Institute (ANSI), Network Performance Loss Plan for Evolving Digital Networks, ANSI T1.508-1992, and, ANSI T1.508a-1993, and, the applicable normative references
- American National Standards Institute (ANSI), Network Performance Switched Exchange Access Network Transmission Specifications, ANSI T1.506-1990, and, the applicable normative references
- ITU-T (formerly CCITT) 100 series recommendations relating to transmission plans, performance, impairments, stability and echo, etc.

Florida TRS users are assured the most modern network design possible. MCI relay centers utilize the most modern equipment and network software available to the industry today. The network facilities for TRS will be built to meet the current and projected calling volume. MCI network facilities are proactively engineered and monitored to ensure adequate capacity. The system is designed with a grade of service (i.e. P.01) that ensures the probability of a "fast busy" due to trunk congestion will be functionally equivalent to what a voice caller would experience in attempting to reach another party through the voice network.

The centers are located in close proximity to MCI's largest and most secure central office facilities. The relay centers are connected to MCI central office by at least two separate transmission media. Each path has sufficient capacity to carry all voice, TTY, and ASCII traffic served by the center. A complete failure of either path will not isolate the relay center from the MCI network or cause it to be taken out of service.

MCI central offices are large facilities which support different transmission and switching systems. The facilities represent major transmission junctions within MCI's extensive digital network with diverse digital routes spreading out from each location. These facilities also are equipped with state-of-the-art digital transmission protection switching systems. MCI ensures these facilities and MCI's extensive route diversity will provide the most reliable transmission service available to support Florida TRS.

route diversity will provide the most reliable transmission service available to support Florida TRS.

MCI provides all telecommunications equipment and software support systems required to support Florida TRS. This includes all transmission and switching systems as well as specialized relay operator work station networking elements and software, network billing systems and administrative support.

The communications facilities required to support relay services use the same transmission and switching systems currently deployed throughout the MCI network. These facilities are monitored and tested continuously to meet MCI's stringent performance requirements, thereby satisfying and/or surpassing FCC and interexchange performance standards, including those for circuit loss and noise.

The MCI relay system is designed to manage all types of calls -- local, intraLATA, interLATA, interstate, and international.

The MCI operations and engineering groups conduct ongoing reviews of industry accepted standards for telecommunications. MCI has developed a loss implementation plan that includes Bellcore specifications to ensure quality and ease of verification. This enables MCI to maintain the high quality of TRS it provides to the State of Florida.

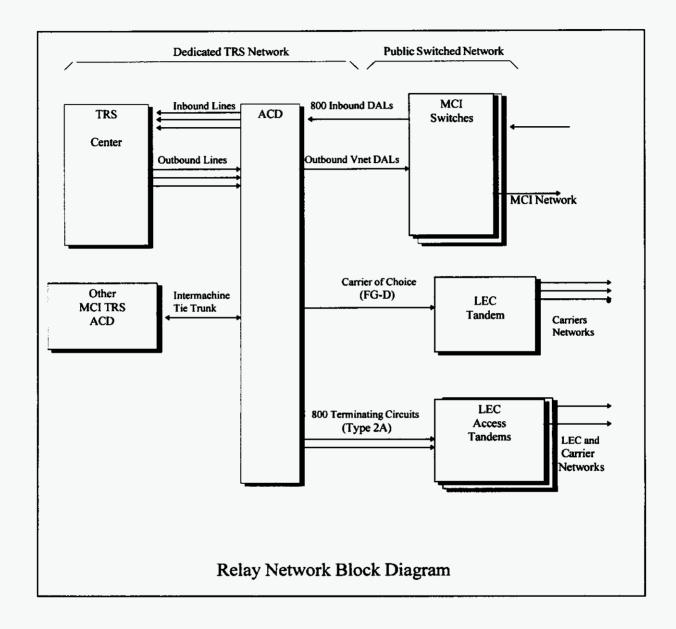
In addition, MCI designs and orders facilities from the LECs that conform to commonly accepted quality standards. The relay center will use dedicated T-1 digital access facilities. Circuits ordered from the LEC will be specified with the appropriate loss allowing MCI to control overall losses.

The following two pages provide a relay network block diagram and a relay center data network diagram. For the initial installation of Florida TRS, MCI will install 36 inbound 800 circuits and 36 outbound Vnet circuits. In addition, 12 FGA circuits will be installed to enable the Communication Assistants to connect the callers to outside commercial 800 numbers. An additional 48 circuits will be installed to accommodate the data network connecting Florida TRS to billing, network management, and other internal support functions. A copy of the ICCF Industry/MCI Standards can be found in Appendix H.

On the following pages, please refer to Figure 8 for a block diagram of the MCI TRS Network and Figure 9 for a block diagram of the MCI TRS Data Network.

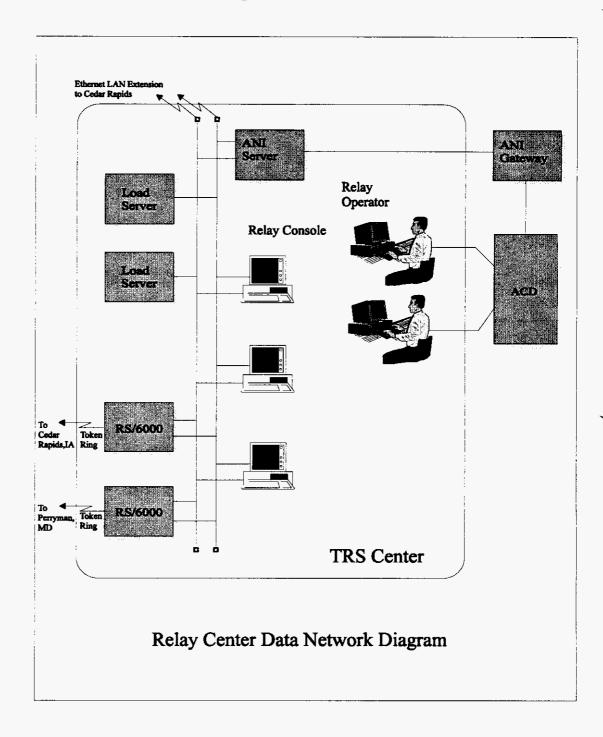


Figure 8.
MCI TRS Network Block Diagram



The MCI TRS Center is interconnected to other MCI TRS Centers via tie trunks. Carrier of Choice calls are handed off via FGD circuits while restricted 800 numbers use FGA circuits.

Figure 9. MCI TRS Data Network Diagram



The MCI TRS Centers are based on redundant systems to assure uninterrupted service.

23. Measuring Equipment Accuracy

Every meter, recording and ticketing device used to capture call details for billing subscribers or the FPSC/Administrator as well as for providing traffic information shall be tested prior to its installation and shall be accurate 97 percent of the time to within a 1 second grace period. All equipment shall be maintained in a good state of repair consistent with safety and adequate service performance.

MCI understands and will comply

The operations and communications facilities required to support relay services are built to the same standards as the transmission and switching systems currently deployed throughout the MCI network. These facilities are tested and monitored continuously to meet MCI's stringent performance requirements. All equipment is maintained in good state of repair and shall be accurate 97 percent of the time.

24. Emergency Operations and Uninterruptible Power

In addition to a minimum of thirty (30) minutes battery capacity sufficient to operate each relay center processing Florida relay traffic at busy season busy hour load, each relay center shall have installed emergency power generating equipment capable of maintaining the relay center's operations for extended periods of time. The uninterruptible power system shall support the switch system and its peripherals, switch room environmental (air conditioning, fire suppression system, emergency lights and system alarms), operator consoles/terminals, operator work site emergency lights, and Call Detail Record recording. Provisions shall be made to meet emergencies resulting from failure of power service, sudden and prolonged increases in traffic, storms, lightning, etc. Employees shall be instructed as to the procedures to be followed in the event of emergency in order to prevent or mitigate interruption or impairment of relay service.

The bidder shall describe its plan for dealing with all types of natural and man-made problems (e.g., hurricanes, lightning strikes, fires, etc.) which either isolate the relay center and prevent calls from reaching the center or cause the center to be unable to operate. In addition, the plan should detail the steps which will be taken to deal with the problem and restore relay service.



The provider shall inform the contract manager of any major interruptions to the operation of the relay center extending beyond five minutes duration. The contract manager shall also be informed when it becomes known to the relay center that any portion of the state is isolated for more than five minutes from the relay center. The provider shall also provide a report after restoration of service.

MCI understands and will comply

To ensure uninterrupted service to FRS users, MCI equips its relay system with battery and generator emergency power systems to provide power for interruptions of an unlimited duration. MCI will have advanced uninterruptible power supply paired with a diesel generator set. This combination prevents both momentary and long-term power loss from affecting relay operation.

The uninterruptible power supply supports all critical functions at the center, including:

- Transmission equipment (channel banks, protection switches, radio equipment, ACD, channel service units, etc.)
- Local PBX and peripheral systems
- LAN and WAN connected devices including Communication Assistant workstations, servers, gateways, calling detail record collection systems, and communications elements
- Environmental systems including air conditioning, heating, ventilation, fire suppression, security, and emergency lighting systems

All of the network facilities maintained by MCI use backup power systems that meet or exceed stated requirements. MCI tests all uninterruptible power supply components, including the generators, frequently and regularly.

When MCI evaluates potential sites for its relay centers, one criteria is the ability to set up dual commercial power feeds from separate substations. This additional capacity protects the relay center from local power interruptions. Having dual commercial power feeds proved valuable in Miami, Florida, during and after Hurricane Andrew in 1992. Through the entire storm and in the following days, the relay center did not lose power even though the surrounding area was without power for several days. If the center had lost power, the uninterruptible power supply and generator were available to provide emergency power for the days or weeks until commercial power could be restored.



Several individual disaster recovery plans have been developed to support a number of specific disaster scenarios which potentially affect relay service operations. These plans are very detailed and include all steps required for both relay center personnel and MCI network operations personnel to restore facilities supporting the relay system. Examples of information contained in the plans include emergency personnel notification and escalation lists as well as facility patching and database reconfiguration instructions.

Since these disaster recovery plans are system and equipment specific, they are prepared to provide the Florida Relay System.

MCI's disaster recovery plan for the following scenarios includes action plans, reporting process, and levels of escalation. MCI has given disaster recovery special consideration in its network architecture; it has is designed for fast and efficient rerouting capabilities.

A. SERVICE-AFFECTING OUTAGE, CENTER COMPROMISED

NATURAL DISASTERS:

Center destruction due to:

Tornado, flood, earthquake, landslide.

Center made unsafe for occupancy due to:

Fire (within or without), hazardous material leak or spill, bomb threat, significant damage to or collapse of structure, act of war or terrorist aggression.

Nature of destruction:

Partial or complete loss of Center.

Partial or complete loss of network serving the Center.

Partial or complete loss of utilities necessary for safe operation of the Center

Forced evacuation of the Center.

Initial actions:

- Reroute all traffic to an alternate Center(s) as soon as threat is recognized. Traffic only to be rerouted if the Center is unable to process any calls.
- 2) Notify:

All Center Managers
Lead Supervisor, if Center Manager is unavailable
Systems Management Center at Vnet 622-1611.
Chris Garner, TRS Systems Analyst - Call Manager
Vnet 743-4844 - Office 602-961-1278
800-759-8888, PIN 207-3339 - Pager



3) Protect personnel and assets of the Center

Center Manager, Lead Supervisor, if Center Manager unavailable Critical Personnel: Systems Support Technician, Hardware Systems Support Technician, Software

- a) Contact civil authorities as appropriate for emergency evacuation instruction.
- b) Notify all site personnel of the situation and inform noncritical personnel of evacuation procedure to be followed.
- c) Secure critical systems ONLY IF TIME AND SAFE EVACUATION PERMIT

Direct critical personnel to secure all systems:

- Shutdown critical processors
- Node Servers
- Node Bridges
- Secure critical processor power
- Secure Communications Assistant workstation power
- Secure Communication equipment power
- Secure Environmental systems power
- 4) Ensure that all personnel have evacuated the building or have moved to local, safe quarters per instruction of civil authorities.

Center Manager, Lead Supervisor, if Center Manager unavailable

As soon as area can be re-entered:

1) Assess Center condition Center Manager, Staff Engineer,



- a) Contact building manager, at {xxx-xxx-xxxx} notifying of intent to examine the facility.
- b) Initial determination condition of facility.

Physical integrity and security

- Condition and availability of critical utilities, electricity, water, sewage, communications
- c) Report initial findings to TRS Business Unit management.

Gary Doty, TRS General Manager David Meermans, TRS Implementation Jerry Nelson, TRS Operations

2) Obtain and report area conditions and limitations of access as defined by civil authorities.

Center Manager, Staff Engineer,

a) Report on findings to 1.B above.

Upon receipt of approvals from 1.B:

 Examine and report on condition of Center assets. Provide assessment to 1.C of impacted areas to facilitate dispatch of repair personnel.

Upon completion of repairs:

- Perform Start-up Integration Testing. Coordinated by MCI Site Technician,
- 5) Perform Finance Certification Review Coordinated by MCI Site Technician,
- 6) Restore traffic to the Center.

Chris Garner, TRS Systems Analyst - Call Manager

B. SERVICE-AFFECTING OUTAGE, CENTER IN SERVICE

Nature of outage:

Partial or complete loss of Center switching.
Partial or complete loss of network serving the Center.
Partial or complete loss of utilities necessary for safe operation of the Center.



Initial actions:

1) Assess level of impact to continued Center operations.

Center Manager, Lead or Duty Supervisor, if Center Manager unavailable Notify Systems Management Center (SMC) of problem.SMC will initiate call out procedures for technical support based on nature of problem.

Data Services: Blaine Kelly, Cedar Rapids Support Vnet 820-6379; Pager 800-824-7441

ACD Services: ACD Site Technician Terminal Site Supervisor Terminal Site Manager

Network Services: National Network Management Center 800-333-9873

IN ALL CASES: Center Manager 209-xxx-xxxx (Office) 209-xxx-xxxx (Home) 800-759-7243 PIN xxx-xxxx - Pager

2) Reroute traffic alternate Center(s) as necessary to meet service level.

Center Managers, Lead Supervisor, if Center Manager is unavailable Chris Garner, TRS Systems Analyst - Call Manager Vnet 743-4844 - Office 602-961-1278 800-759-8888, PIN 207-3339 - Pager Ken Griffin, Technical Supervisor Vnet 743-4846 - Office 602-899-0517 - Home 800-759-8888, PIN 207-3340 - Pager David Meermans, Dallas, Senior Manager **Implementation** 214-918-5609 - Office 214-517-3985 - Home 800-724-3624 PIN 261-9754 - Pager Gary Doty, TRS General Manager 608-232-2770 - Office 608-437-6940 - Home 800-313-6896 - Pager

Upon completion of repairs:

- 3) Perform service verification testing. Coordinated by Cedar Rapids Support.
- 4) Restore traffic to Center. Coordinated by Chris Garner



C. LEC OUTAGE

LEC to MCI POP access diversity:

MCI has located the Florida relay center in a building that has DS-1 diverse access facilities. Having physically diverse DS-1 access from the MCI POP to the relay center will help ensure that a facility outage such as an LEC cable cut will not isolate the relay center. This is accomplished through the use of DS-1 protection switching equipment that automatically switches from a failed DS-1 path to a protected DS-1 path. Diverse LEC access coupled with MCI 800 routing features will ensure that the relay center is able to provide the highest quality of service to the Florida relay community.

25. Intercept Messages

Intercept messages as appropriate shall be provided if a system failure occurs.

MCI understands and will comply

MCI's relay system is constructed from a highly distributed and reliable set of components. In the extremely unlikely event of a traffic affecting failure (relay center failure, switch failure, etc.) resulting in inbound or outbound call blockage, callers are provided with an intercept announcement indicating that their call cannot be completed. The type of intercept varies depending on the point of failure. Within the relay system, there are four potential points for intercept.

- 1.Inbound, LEC Switch Failure—Callers will normally receive a fast busy signal, and in rare instances, a voice recording will ask the caller to hang up and try again later.
- 2. Inbound, MCI Switch Failure--Again, callers will receive a fast busy signal.
- 3.Inbound, Florida Relay System ACD Failure---When possible, callers will receive an intercept announcement in either a voice, TTY or ASCII as determined by the 800 access numbers. Announcement supporting ASCII calls are pre-set with certain parameters to match that of the originating customer device
- 4. Outbound, Switch Failure—Upon hearing a fast busy signal, the CA will inform the caller of the status of the call. If the intercept message use a voice recording, the CA will relay the message to the caller.



26. Service Expansion

Bidder shall show the capability of expanding services in response to increasing demand. Bidder shall develop and illustrate in its proposal a detailed plan of how this expansion will be accomplished. The plan shall include, but not be limited to, trunking capacity, CA work stations, personnel staffing and equipment capacity. The plan shall also indicate how any time lag shall be avoided to meet any increased call volume. The above plans shall allow the provider to be able to maintain all standards listed in the RFP.

MCI understands and will comply

The relay center has been designed with the capability of expanding service with short time intervals. Equipment and trunking configurations are based on RFP functional requirements and empirical data gathered from FL PSC. With this information as a base, the average call duration, routing, call volume and call handling requirements can be identified.

This information forms the basis for the initial installation. After the relay center is operational, traffic statistics on the ACD platform and the LAN are examined to verify that traffic and trunking forecasting was done correctly. Traffic on both systems is examined, during each week of the first month, to determine traffic growth, not only in total traffic but trunk group traffic growth, and what other facilities may need to be augmented to handle any additional forecasted calls.

CA consoles utilize off-the-shelf hardware with the exception of the Modem/TTY unit. These units are easily procured and do not represent a long lead time item. The vendor of the Modem/TTY unit is provided with a forecast to build additional units with a 90 day lead period. This allows the vendor to have additional units on hand in the case of massive unit failure.

Additional trunking within the MCI Network is handled by the Network Operations organization. This organization reviews traffic on a daily basis via a mainframe application. This allows faster identification of bottlenecks and initiation of circuit orders to the LECs for additional trunks. The additional traffic from the relay center will not adversely effect the MCI Network. The impact of trunking between the ACD for the relay center and the serving MCI network switches are managed jointly by Network Operations and the relay center personnel.



MCI continuously monitors and evaluates the performance of its relay service through a number of trend analysis systems. This evaluation process is used to track system performance as well as provide service expansion forecasts. The following four elements are addressed when service expansions are required.

A. Relay Center Access Facilities/Equipment

These common facilities include the DS1 channels connecting the relay centers to MCI central offices as well as their attendant multiplexing systems, protection switching equipment, and site wiring systems.

Although the installation of these facilities typically require a lead time of three to four weeks, new facilities do not need to be installed each time new relay consoles are added (a DS1 channel between a relay center and its MCI central office will support 12 work stations).

B. Relay Consoles

There normally is no more than a four week lead time required in the procurement of additional relay consoles. Through the use of effective forecasting techniques, this should provide ample time to respond to increased call volumes supported by the relay center.

In the event that traffic loads increase more quickly than expected, temporary call routing to other MCI centers can be employed to provide temporary relief until additional permanent consoles are added to the center. As additional consoles are added to the relay centers, a corresponding number of switch ports are also configured to support these stations.

C. Personnel Staffing

Approximately 3-4 weeks are required to recruit and train additional CAs. Details of the MCI relay service training program are included in Section B.9 of this proposal.

The relay center floor plans are configured to accommodate growth to support the maximum traffic levels identified in the RFP. This includes space for additional CAs and management personnel as well as technical and administrative support groups. Space is also reserved for increases in power, environmental, network and communications equipment requirements.



D. Switched Network Trunk Requirements

Since MCI's relay service represents an integrated component of the overall MCI switched network, estimated relay service traffic data is provided to network engineering groups on a regular basis. This insures that sufficient common network access (MCI 800 service) and termination (MCI Vnet) facilities are available to support the Florida Relay System. This is a normal and ongoing operation and there is no particular lead time associated with it.

MCI is continuously developing and evaluating new technologies that could enhance the capabilities of its relay services. As these technologies become available, they are considered for integration into MCI's networks and services. When these enhancements provide potential benefits to the users of Florida Relay System, MCI will provide PSC and the State of Florida the opportunity to evaluate and, if deemed appropriate, purchase such enhancements or upgrades for the service.

27. New Technology

The users should be allowed to benefit from advancing technology. Bidder should describe the methodology and process it will use to keep abreast of technological changes in the provision of relay service, to inform the FPSC and Administrator that new enhancements are available and at what price, and to provide the FPSC the opportunity to purchase such enhancements or upgrades to the service.

MCI understands and will comply

The relay hardware and software systems that will be used in the relay center will be capable of adapting to new equipment and telecommunications technology. MCI is interested in technical solutions which will improve access to all telecommunications capabilities.

MCI has access to global technology that is applicable to the State of Florida's needs. MCI continues to follow a business strategy of not telecommunications information processing manufacturing ОГ Instead, our laboratory in Reston, Virginia is able to equipment. leverage its purchasing power as the second largest interexchange carrier in the world and to shop the global marketplace for the best solutions to specific needs. Manufacturers routinely advise MCI of new developments. The technology purchased by MCI is not limited to network technology or equipment. It also includes relay service technology designed by Rockwell International and others.



MCI is very actively involved in the design and production of software application and control systems. MCI has been ranked the most effective user of information systems in the industry by ComputerWorld, CIO Magazine, and Information Week, and is a premier systems integrator. Additionally, MCI has an extensive record of "firsts" in the industry for introduction of new technologies. MCI will bring that expertise and commitment to the Florida relay service.

In the case of Florida relay service, the process of introducing new technology will begin with the customers and line managers. The process of customer input and review will allow identification of desired enhancements. MCI will then report back to the State of Florida with recommended solutions and action plans. MCI line managers will also spot areas which can be enhanced and MCI will bring that information as well.

Testing and implementation cycles will generally follow the pattern of:

- Laboratory Analysis and Testing
- Florida Relay Service Staff Test
- Control Group Test
- Implementation

Each of these stages allows an opportunity for modification prior to mass customer usage.

Florida relay service will also benefit from the substantial investments in technology which MCI is continually making in its network. From the national integrated Network Control Center located in Sacramento, California, to the introduction of synchronous optical network (SONET) technology, MCI will continue to deliver the most modern network in the world.

SONET, a key network architecture component, will replace current synchronous fiber multiplexing with a standard synchronous hierarchy ranging from 51.84 Mbps to 9,953.29 Mbps. In addition to these capacity increases, Sonet equipment will provide for quicker provisioning and transmission service restoration. Due to fewer network elements, network surveillance will be much easier.

Recently, MCI deployed the first nation-wide cell-based network platform. The first service on the platform was a frame relay product. The new platform offers a clear path for IEEE 802.6-based services such as Switched Multimegabit Data Services (SMDS) and



asynchronous transfer mode-based (ATM) Broadband ISDN products. This platform offers a frame relay-based service that meets the current demand for wide area communications. It also provides higher throughput and more cost-effective use of transmission lines.

The introduction of new technologies will not only provide substantial benefits to the deaf, hard-of-hearing and speech disabled communities, but to the providers of relay services as well. Service enhancements and cost reductions likewise accompany the technology.

MCI is continuously developing and evaluating new technologies that could enhance the capabilities of its customer services including relay services. As these technologies become available, they are considered for integration into MCI's networks and services.

MCI is currently working with Information Services Providers to provide individuals with speech and hearing disabilities with access to a number of enhanced services. Some of these systems are designed to provide persons with speech and hearing disabilities with services that are equivalent to many of the basic and enhanced telephone services currently available to the hearing community. Other MCI vendors are also producing an integrated voice and data terminal that will also have the ability to function as a TTY.

28. Consumer Input and Participation in Advisory Committee and FPSC Proceedings

The telephone users shall have input on the quality of the delivery of service. Bidders shall develop a plan to include the Commission and its Advisory Committee in any evaluation of the system. A bidder shall not include travel or per diem costs of the FPSC or its Advisory Committee in its bid price since those costs will be funded by State. An outline of this plan shall be included with the bidder's proposal. The plan should explain methods for consumer input and how the recommendations from these evaluations will be incorporated into the policies of the relay center. This does not preclude the provider from conducting additional internal evaluations which use relay staff. The results of any service quality evaluation shall be reported to the FPSC office quarterly.

Bidders are encouraged to include in the consumer input plan methods for working with organizations serving hearing and speech impaired individuals statewide to conduct periodic community forums. The community forums shall be for the purpose of gaining user input on the quality of relay service and for responding to user questions and problems on use of the relay service. The community forums shall be



planned and conducted in conjunction with organizations serving people with hearing and speech impairments.

The provider shall participate in all meetings of the Advisory Committee and all FPSC workshops and hearings relating to relay service unless excused by the contract manager.

MCI understands and will comply

MCI and D.E.A.F. identify close attention to user input as one of the cornerstones of any successful service. MCI and D.E.A.F. will conduct group forums, direct-mail surveys and evaluations of the service by representative organizations from the Deaf and Hard-of-hearing communities. MCI and D.E.A.F. will also ensure participation in meetings and conventions involving consumer populations and will solicit feedback via both group comment and written survey formats.

MCI and D.E.A.F. staff will plan and conduct FRS public town meetings or community forums throughout the state, working with the Florida Association of the Deaf, local Deaf clubs, Florida chapters of Self Help for Hard-of-hearing People (SHHH) and the Association of late Deafened Adults (ALDA), the Florida Registry of Interpreters for the Deaf, with Deaf Service Centers, centers for independent living, educational programs serving Deaf and Hard-of-hearing students, parent groups and other organizations committed to the Deaf and Hard-of-hearing communities.

MCI and D.E.A.F. will also work with Florida Speech-Language-Hearing Association, The Florida Division of Vocational Rehabilitation, centers for independent living, hospitals and established rehabilitation centers to solicit input from users with speech disabilities in group settings.

Additionally MCI will solicit ongoing written input from this population. The involvement and input of hearing users will also be sought as an adjunct to this program by working with appropriate local agencies and businesses. Advance notice of meetings will be distributed to local Vocational Rehabilitation offices, as well as to area agencies, schools and organizations serving Deaf and Hard-of-hearing people, with letters soliciting recommendations and suggestions for inviting and encouraging attendance of hearing user publics.

FRS public town meetings will be planned throughout the state during each year of the contract in locations such as Pensacola, Tallahassee, Jacksonville, St. Augustine, Daytona Beach, Ocala, Orlando, Tampa/



St. Petersburg/Clearwater, Ft. Myers, Miami, Ft. Lauderdale and West Palm Beach. Throughout the contract, MCI and D.E.A.F. will also plan town meetings in Lakeland, Sarasota, Naples, Gainesville, Melbourne, Ft. Pierce, Titusville, Vero Beach, New Port Richey, Panama City and other locations whenever need or interest is shown.

MCI, in planning for town meetings and written surveys, will seek input from the FPSC Advisory Committee regarding areas of need and issues of importance. MCI will also provide reports from each meeting conducted and copies of all survey and evaluation results to the Commission and the to the Advisory Committee on a quarterly basis. Customer input will be further collected through our toll-free FRS customer service lines, postal mail and through electronic mail via the Internet.

The suggestions, ideas, needs and requests gathered from FRS customers will drive changes and refinements of center procedures and staff training. MCI and D.E.A.F. will modify policies and procedures which are not contractually fixed with the state as quickly as possible to serve customers better. Whenever a customer-requested change would affect the rules and agreements between MCI and the state, MCI will submit recommendations to the FPSC and its Advisory Committee on the customers' behalf.

MCI and D.E.A.F. will keep customers informed of changes and issues under consideration through reports during town meetings and by recommendations for articles in the Florida Telecommunications Relay, Inc. newsletter. MCI and D.E.A.F. will also provide articles on relay topics and issues for publications of organizations serving customer populations.

MCI highly values the advise and counsel of the Florida Public Service Commission and its Advisory Committee and will ensure attendance and participation in all meetings and workshops.

29. Complaint Resolution

The provider shall establish procedures regarding complaints, inquiries and comments regarding system services and personnel. The provider shall ensure that any caller to the relay center having a complaint will be able to reach a supervisor or administrator while still on line during a relay call. All complaints received by supervisors or in writing shall be documented, including their resolution, and kept on file and available to the Commission upon request. In addition, the relay center shall have a toll-free



Customer Services telephone number available and accessible to the public statewide for the purpose of reporting service or other deficiencies. Records of such reports and copies of written reports regarding service or other deficiencies shall be maintained for the life of the contract and for twelve (12) months after conclusion of the contract period. This record shall include the name and/or address of the complainant, the date and time received, the CA identification number, the nature of the complaint, the result of any investigation, the disposition of the complaint and the date of such disposition. Each signed letter of complaint shall be acknowledged in writing or by contact by a representative of the provider. The necessary replies to inquiries propounded by the Commission's staff concerning service or other complaints received by the Commission shall be furnished in writing within fifteen (15) days from the date of the Commission inquiry.

MCI understands and will comply

MCI and D.E.A.F. have established a comprehensive program that sets the goal of satisfying the customer as the primary function. Every operations supervisor has been trained in providing customer service, ensuring that a complaint, inquiry or comment can be given 24 hours a day, 7 days a week, 365 days a year. In this instance, a shift supervisor would be responsible for ensuring information pertinent to the issue is documented and forwarded to customer service for resolution. In cases where a supervisor is called to intervene, corrective actions can be taken immediately to clarify, train and provide feedback.

If the customer would rather speak directly to customer service, then an 800 number is available. Customer service staff members will document any service deficiencies or issues and the accompanying resolutions and store this information in the center's database. information can then be reported to the Florida Public Service Commission, but also used to assist the management of the center in developing statistical data and/or to assist in identifying trends that enable the center to respond to its customers' needs. Input received through the complaint resolution process is used to recommend and effect changes in procedures and in service standards. customer service staff not only respond to TTY or Voice contacts, but can also be reached through mail correspondence and electronic mail via the internet. These contacts are dealt with in the identical manner as direct contact.

Names and personal information given to customer service are confidential and not used in the resolution of complaints unless the complainant agrees. Any customer service representative would be prohibited from revealing any personal customer information to either a supervisor or CA in the resolution of issues. Inquiries from the Commission will be responded to within 15 days from the date of the Commission inquiry.

30. Charges for Incoming Calls

The Provider shall make no charge to the users for making calls (incoming) to the relay service.

MCI understands and will comply

Access to Florida Relay Service is via incoming 800 numbers. There is no charge to the user for accessing Florida Relay Service.

31. Billing Arrangements

Provider shall bill for charges for collect calls, person-to-person calls, calls to or from hotel rooms and pay telephones, and calls charged to a third party. Provider shall also arrange for billing to any industry standard local exchange company or alternative local exchange company calling card. For calls billed by or on behalf of the provider, the bidder shall include a complete description of how users will be billed for all calls. This description shall include the bidder's procedures for obtaining billing information from the local exchange and alternative local exchange companies, whether the billing will be performed directly by the provider itself or contracted, specific credit cards or telephone calling cards to which calls can be billed, and a sample bill format. The bidder shall also explain how it will respond to customer inquiries about erroneous bills and how credits will be issued or refunds made.

MCI understands and will comply

The MCI CA console records all critical billing information (calling and called numbers), call time points (CA answer, called party answer, called party disconnect, and calling party disconnect), and the billing method selected (bill to originating number, collect, third-party, coin, calls from hotel rooms, calling or credit cards).

Call timing is separated into two parts, Session and Relay. Session time begins when the CA answers an incoming call and continues until the originating user disconnects. Relay time begins after the called party is on the line and after the CA has explained relay, if necessary and ends when either the called party or originating user disconnect. Should the originating user stay on the line and request a subsequent call, session time is continued until the originating user disconnects.



Relay time is used to calculate toll charges for toll calls and access charge credit for local calls. Session time is used to calculate relay charges to the state of Florida for intrastate calls. To prevent the state of Florida from being charged for interstate calls, Session time is recorded separately for each call attempted. MCI billing systems then remove all interstate calls from pool of call records used to calculate state of Florida charges.

BILLING INQUIRIES

When a FRS user believes an error has been made on his/her personal bill, the user has the option of contacting the MCI Customer Service numbers 1-800-374-4833 TTY or 1-800-374-4852 Voice if the user is a MCI customer. If the user is not a MCI customer, they are referred to the local exchange company for inquiries. If an error is made found on a MCI customer bill, a message describing the error is forwarded to MCI technicians to determine and correct the reason for the error.

COIN SENT PAID

Recently, after extensive collaboration among relay service providers, organizations for persons with hearing and speech disabilities, local and long-distance companies, the Federal Communications Commission (FCC) adopted the group's proposed policies on handling coin sent paid (CSP) relay traffic. Furthermore, the FCC has suspended, for an additional two years, the enforcement of the coin sent paid traffic requirement. The industry must file joint status reports 12 months and 18 months after release (August 26, 1996 and February 26, 1997).

The FCC states that two years will give parties time to implement and collect experience on the alternative plan, to gather data on TRS pay phone and non-TRS pay phone usage, and to assess any technical developments that may affect ability to provide CSP. It expects to be able to make a decision on CSP by the end of two years.

The FCC-approved policies apply only if relay users need to use a pay telephone to make coin sent paid calls through a relay service which become effective November 24, 1995.



- 1. Local calls from a pay telephone through a relay service is provided at no cost to the end user.
- 2. Long-distance calls from a pay telephone using a relay service can be charged to a calling card, debit card, and in some states for certain prepaid cards.
- 3. Toll rates will cost no more than the same long-distance call made from a pay telephone using coins.

MCI's outreach program will inform the relay users of these available alternatives when using the pay telephone. MCI will also coordinate with representatives of TRS user communities in planning and implementing the program and in evaluating its effectiveness.

The FCC is not requiring the industry to continue "major efforts to develop" a technical solution at this time. However, it is requiring evaluation and monitoring of technical developments, TRS numbering assignments, and network changes that may increase the feasibility or reduce the cost of providing relay CSP calls. This evaluation will include investigating the feasibility of viable technological solutions that are brought to the industry's attention.

MCI has been and will continue to be an active industry participant in the development of CSP relay services. If the need arises in the future, MCI is committed to working with the appropriate parties in the State of Florida to ensure that relay users continue to have the ability to make coin sent paid calls through the Florida Relay System.

INVOICE DELIVERY SYSTEMS

Three different invoice delivery systems are used by the relay service. The first supports station billed calls including collect calls, person-to-person calls, calls to or from hotel rooms, calls charged to a third party and local exchange carrier (LEC), regional operating bell company (RBOC) and non-proprietary interexchange (IXC) calling cards. Rated call records (intraLATA toll and interLATA) are formatted and delivered to the appropriate LEC for inclusion in the LEC's monthly customer invoice. Call detail information appears in the summary of MCI-specific charges.

The second system supports calls charged to commercial credit cards, Visa, Master Card, American Express, Discover, Diner's Club, and Carte Blanche. Rated call records (intraLATA and inter LATA) are



formatted and delivered to the appropriate credit company for inclusion in their normal monthly customer invoice.

The third system supports calls charged to the MCI calling cards. Rated call records (intraLATA toll and interLATA) are, depending on local LEC/MCI billing arrangements, either used to generate an invoice which is directly mailed form MCI to the end user or are reformatted and delivered to the appropriate LEC for inclusion in the LEC's monthly customer invoice. In the latter case, call detail information appears in the summary of MCI calling card specific charges.

1. Five (5) minute daytime call from Jacksonville, FL to Miami, FL:

Account #904-555-2094 Invoice Date 9/27/96 Detail of MCI Dial 1	Detail of Charges Page	e 1		
Calls				
Calls made from (904) 55	5-2094			
Doto Time Place College	A non Normalian	- .		
Date Time Place Called	<u> Area Number</u>	Rate_	Min	Amt
	ni, FL 305 555-3282		Min 5	<u>Amt</u> 1.21

Account #904-555-2094 Invoice Date 9/27/96 Detail of MCI Dial 1	Detail of Charges Page 2
Calls	
Summary for MCI MCI Dial 1 Calls* State and Federal 1	1.21 .31 Fax <u>.xx</u>
Total MCI Current (
*D - Business R - Relay Se	s Day ervice

Collect

1. Five (5) minute daytime call from Jacksonville, FL to Miami, FL:

Account #904-555-2094 Invoice Date 9/27/96 **Detail of Charges Page 1 Detail of MCI Collect** Calls Calls made from (904) 555-2094 Place Called Area Number Rate Min Amount Date Time 555-3282 *DR 5 1.21 305 Miami, FL 9-19 10:16 am 5 1.21 Total calls from (904) 555-2094 *D - Business Day R - Relay Service

Account #904-555-2094 Invoice Date 9/27/96 Detail of MCI Collect	Detail of Charges Page 2
Calls	
Summary for MCI MCI Dial 1 Calls* State and Federal Tax	1.21 .31 <u>.xx</u>
Total MCI Current Charge *D - Business Day R - Relay Service	es x.xx



Person-to-Person

1. Five (5) minute daytime call from Jacksonville, FL to Miami, FL:

Account #904-555-2094 Invoice Date 9/27/96 Detail of MCI Person-to-Person Detail of Charges Page 1							
Calls Calls	made from (9	04) 555-2094					
<u>Date</u>	Time	Place Called	Area	Number	Rate	Min	Amount
9-19	10:16 am	Miami, FL	305	555-3282	*DR	5	1.21
Total calls from (904) 555-2094 5 1.21 *D - Business Day R - Relay Service							

Account #904-555-2094 Invoice Date 9/27/96 Detail of MCI Person-to-Person	Detail of Charges Page 2
Calls	
Summary for MCI MCI Dial 1 Calls* State and Federal Tax	1.21 .31 .x <u>x</u>
Total MCI Current Charges *D - Business Day R - Relay Service	x.xx



Third Party

1. Five (5) minute daytime call from Jacksonville, FL to Miami, FL:

Invoid	int #904-559 e Date 9/27 of MCI Thir	7/96	Detail	of Charge	s Page	: 1		
Calls Calls	made from ((904) 555-2094						
Date	Time	Place Called	Area	Number	Rate	Min		Amount
9-19	10:16 am	Miami, FL	305	555-3282	*DR	5		1.21
Total	calls from (9 *D - Busin R - Relay					5	1.21	

Account #904-555-2094 Invoice Date 9/27/96 Detail of MCI Third Party	Detail of Charges Page 2
Calls	
Summary for MCI MCI Dial 1 Calls* State and Federal Tax	1.21 .31 <u>.xx</u>
Total MCI Current Charge *D - Business Day R - Relay Service	es x.xx

32. End User Billing for Intrastate Calls

Intrastate toll calls placed through the relay system and billed by or on behalf of the provider shall be billed to the voice or TDD caller at 50% of the provider's rate for non-relay calls. An additional 10% discount (60% total discount) shall apply to calls to or from the dual-sensory impaired; the provider shall develop a system for identifying such users and applying the discount to their calls. Timing for timed intrastate call billing shall begin when the relay operator advises both parties to proceed and shall not include any initial time by the operator to explain how relay service works.

The bidder shall explain how its discount toll plan subscribers would be billed for relayed calls billed by or on behalf of the provider. For example, if a bidder offers a discount for over 5 hours of usage per month, the bidder should explain how a subscriber to that service would be billed for any relay calls made during the month.



The provider shall not charge the end user more for non-message toll relay calling than would be charged for the same call if billed by the end user's local exchange or alternative local exchange company. The provider can accomplish this by obtaining necessary billing information about the end user's local company in order to ensure that it does not bill in excess of those rates (e.g., extended area service calls, extended calling service calls, etc.)

In the alternative, the provider can collect necessary billing information and turn that billing information over to the end user's local company so that the end user's local company can bill for relay calls under the local company's rates. If this alternative approach is taken, the provider shall submit the billing information to the local company in an industry standard format and the provider shall incur whatever costs are required to correctly format the billing information so that the local company can bill the calls.

Of the two approaches described above, the bidder should indicate how it will initially bill calls and the provider shall advise the contract manager whenever it changes billing methodologies.

MCI understands and will comply

MCI's relay system is designed to handle all types of calls--local, intrastate toll, interstate and international. A database consisting of Local Calling Area tables provided by the LECs determines whether the virtual call is local or long distance. All toll calls placed through FRS are automatically discounted by the MCI billing system at 50% of the filed MCI tariff. Users with a dual sensory disability receive and additional 10% for a total of 60% discount.

MCI will not charge Florida TRS users for intraLATA calls as part of the LEC calling plans. MCI will work with LECs in Florida to accommodate their calling plans such as area calling plan, extended calling area, optional calling plans, extended area service, or similar calling plans.

Two methods are used to ensure that all users are protected regardless of their specific LEC:

- 1. MCI-Provided Billing Records
- MCI-Provided Zero Rate

MCI-Provided IntraLATA Billing Records

The preferred method for protecting against charges for toll usage in the extended area service involves MCI providing each participating LEC all



billing records of intraLATA calls placed by their customers. Since LECs are the sellers of the various calling plans, their billing systems contain the detailed information necessary to correctly process the calls. The LEC will process the records to ensure that subscribers are correctly billed.

The critical factor of these LEC calling plans is their optional nature. A subscriber may purchase a plan this month, cancel it next month, and purchase a different one the following month. Subscribers continually change their calling plans. The best way to ensure a cost-effective and accurate method of providing this service is to have the LECs process these records.

MCI-Provided Zero Rate

Alternatively, MCI will zero rate (i.e., no-charge) all non-local calls placed through MCI TRS and terminating within 40-mile radius (80-mile circle) of the originating wire center. This geographical coverage should provide protection against inaccurately billing a calling plan call as a toll call.

MCI TRS handles all types of calls including local, intrastate toll, and interstate and international calls originating and/or terminating in Florida. All toll calls placed through MCI TRS are treated and rated as virtual calls, as if the call had been placed without using the relay service. This ensures that relay users do not pay higher rates than those paid for functionally equivalent voice communication services with respect to such factors as the duration of the call, the time of the day and the distance from the point of origination to the point of termination. Customers placing toll calls through the MCI TRS center is billed only for actual conversation time.

The MCI TRS has the ability to complete intrastate and interstate toll calls and bill them directly to caller's telephone number.

Florida TRS users have the option to complete their calls using MCI or their carrier of choice. Users who elected their carrier of choice is billed by the receiving carrier at their tariff rates. MCI will relay the call but will not bill users for calls completed using carriers other than MCI.

MCI will work with the Local Exchange Carriers (LEC) in Florida to accommodate the Optional Calling Plans (OCP) of FRS users. Two methods are used to ensure that all users are protected irrespective of their specific LEC.



In the preferred method, MCI will provide each participating LEC billing records of intraLATA calls placed by their customers. Since the LECs are the sellers of OCPs, their billing systems contain the detailed information necessary to correctly process the calls. The LEC will process the records ensuring the OCP subscribers are correctly billed. The critical factor of OCPs is their optional nature. A subscriber may purchase a plan this month, cancel it the next, and purchase a different one the month following. The great number of changes occurring daily in OCP subscribership makes LEC processing of the records the only cost effective, accurate method of providing this service.

MCI presently submits call records to the LECs of Florida and the addition of FRS calls are handled in the same fashion.

Alternatively, MCI will zero rate (no charge) all non-local calls placed through FRS and terminating within a 40 mile radius (80 mile circle) of the originating wire center. This geographical coverage provides 100% protection against miss-billing an OCP as a toll call.

33. Relaying Interstate and International Calls

The provider shall be required to relay interstate and international calls that originate or terminate in Florida. The provider shall not include in its bill for Florida relay service any charges or time associated with interstate or international calls.

If relayed interstate or international calls are to be billed by the provider to the end user at a rate higher than the rate for a nonrelay call, the provider shall quote the rate to the party to be billed before beginning the call. The bidder should indicate how its rate for interstate and international calls will compare to the rate for nonrelay calls and whether any discounts will apply to interstate and international relay calls.

MCI understands and will comply

MCI's relay system is designed to handle all types of calls—local, intrastate toll, interstate and international. A database consisting of Local Calling Area tables provided by the LECs determines whether the virtual call is local or long distance.

All FRS users will receive a discount as follows:

Users are billed evening rates for daytime calls and weekend rates for evening and weekend calls.



Florida relay service will process interstate calls originating in Florida and terminating in another state. Likewise, the service will accept interstate calls originating in another state to be terminated in Florida. MCI will also process international calls with TTY origination or termination in Florida, and voice origination or termination outside the U.S. or Canada.

The billing systems separate all interstate and international calls from intrastate calls for billing to the National Exchange Carrier Association (NECA) fund. Reports and invoices provided to the state show the division of traffic.

LEC, non-proprietary AT&T, and MCI calling cards are billed on the card user's local telephone company bill through a billing arrangement with the LEC. ANI billing will also appear on the appropriate LEC invoice. Credit card calls are billed on the individual credit card company's monthly statements.

If the end user is an MCI customer, MCI will bill the end user directly or through billing arrangements with the LEC. If the end user is not an MCI customer, billing is handled by the LEC in the same manner that 10xxx (incidental) traffic is handled.

Recently, after extensive collaboration among relay service providers, organizations for persons with hearing and speech disabilities, local and long-distance companies, the Federal Communications Commission (FCC) adopted the group's proposed policies on handling coin sent paid (CSP) relay traffic. Furthermore, the FCC has suspended, for an additional two years, the enforcement of the coin sent paid traffic requirement. The industry must file joint status reports 12 months and 18 months after release (August 26, 1996 and February 26, 1997).

The FCC states that two years will give parties time to implement and collect experience on the alternative plan, to gather data on TRS pay phone and non-TRS pay phone usage, and to assess any technical developments that may affect ability to provide CSP. It expects to be able to make a decision on CSP by the end of two years.

The FCC-approved policies apply only if relay users need to use a pay telephone to make coin sent paid calls through a relay service which becomes effective November 24, 1995.



- 1. Local calls from a pay telephone through a relay service are provided at no cost to the end user.
- 2. Long-distance calls from a pay telephone using a relay service can be charged to a calling card, debit card, and in some states for certain prepaid cards.
- 3. Toll rates will cost no more than the same long-distance call made from a pay telephone using coins.

MCI's outreach program will inform the relay users of these available alternatives when using the pay telephone. MCI will also coordinate with representatives of TRS user communities in planning and implementing the program and in evaluating its effectiveness.

The FCC is not requiring the industry to continue "major efforts to develop" a technical solution at this time. However, it is requiring evaluation and monitoring of technical developments, TRS numbering assignments, and network changes that may increase the feasibility or reduce the cost of providing relay CSP calls. This evaluation will include investigating the feasibility of viable technological solutions that are brought to the industry's attention.

MCI has been and will continue to be an active industry participant in the development of CSP relay services. If the need arises in the future, MCI is committed to working with the appropriate parties in the State of Florida to ensure that relay users continue to have the ability to make coin-sent paid calls through the Florida Relay System.



34. End User Selection of Carrier

The provider shall allow a caller to select an interexchange company other than the provider for billing purposes. In such case, the provider shall supply the services of the relay center for the call but provide billing information to the requested interexchange company so that the requested company can correctly bill the relay call. The provider shall route the outgoing call portion of the relay call to the requested interexchange company and shall be responsible for the cost of access through associated local exchange company tandems and, where tandem access is not provided, for connections to the requested carrier through other forms of access. The provider must meet current and subsequent requirements of the Industry Carriers Compatibility Forum for handling end user requests for a carrier other than the provider.

MCI understands and will comply

As part of a cooperative effort between the Local and Interexchange Carriers, MCI TRS offers Carrier of Choice (COC) for users placing interexchange calls. In operation, the user requests that a call be placed using XYZ Long Distance. The CA enters the terminating number, selects the XYZ from a list of IECs serving the user's area, and directs the console to dial the call.

The call is connected through XYZ carrier and the TRS ACD transmits the calling party ANI, calling party information digits with "TRS" indicator, and the called number. XYZ is now able to complete the call and invoice the user directly. If the user requested an Operator Assisted call using XYZ, the process is the same except that the call is delivered to an XYZ Operator. The CA provides the billing detail as collected from the user to the IEC Operator who then completes the call.

Carrier of choice is achieved by making the TRS appear to the network as an Equal Access End-Office. A Cellular Type 2, Feature Group-D trunk group between the ACD and a LEC Access Tandem provide the relay service with efficient access to all LECs in the service area. Like an End Office, the ACD signals with two stage outpulsing:

Stage 1) KP-0zz-CIC-ST

Stage 2) KP-II-ANI-ST-KP-(0)-Called-ST

Where:

Ozz specifies the type of call CIC is the Carrier ID Code II are the modified originating Information Digits



II Digit Translation:

Application	Normal	TRS
Unrestricted	00	60
Hotel/Motel	06	66
Restricted	07	67
Coin	27	67
Cellular-Type 1	61	60
Cellular-Type 2	62	67

Il Digits translation is used to provide the receiving carrier with both information on the type of line originating the call and that the call is passing through a relay service. This is done so that any statemendated, toll discounts may be applied.

Calls using COC may be dialed direct or with operator assistance. When a user requests a direct dialed call, the Stage 2 outpulsing will be sent as:

KP-II-ANI-ST-KP-Called-ST. Called = NPA-NXX-XXXX.

If operator services are requested, Stage 2 will be sent as:

KP-II-ANI-ST-KP-0-ST (For Collect and Third-party calls.)

or

KP-II-ANI-ST-KP-0-Called-ST (For Card calls.)

35. Recipient of Toll Revenues

The relay provider shall be allowed to retain the toll revenues for all long distance calls billed by or on behalf of the provider.



36. Long Distance Call Billing

Operator-handled calls shall be carefully supervised and disconnects made promptly. A check of the timing clock shall be made at least once each twenty-four (24) hours to ensure that the clocks are synchronized and that the time is correct. Clock deviations shall not be in excess of 12 seconds. Bidders shall specify the record system for



identifying and documenting long distance and toll calls for billing purposes. The record shall contain, at a minimum, the following information:

- a. telephone number or credit card number to be billed (NPA-prefix-line number)
- b. originating and terminating telephone number (NPA-prefix-line number)
- c. originating and terminating exchange name
- d. date
- e. start time
- f. call duration to the full second (the time in between start time and end time)

Long distance calls billed to subscribers shall be listed chronologically and reflect the connect time of such calls based on the appropriate time zone. Bidders shall also fully describe the billing system and billing process that will be used, including identification of any subcontractors, specific duties of the subcontractors, and how the billing record detail will be transmitted to the billing agent (if any).

MCI understands and will comply

A billing detail record (BDR) is automatically generated by the CA console for each call processed whether or not that call is completed. All records are stored immediately on protected network file servers and, at the end of each day, are archived using a tape storage system. At the end of each month, all billing data is assembled and used by the report generation and billing systems.

All billing processing and report generation is accomplished on MCIowned systems, operated by MCI employees. Actual customer invoicing is processed and presented according to the billing method employed by the user.

Each call record contains a comprehensive set of data including:

- Billing telephone, calling card or credit card number;
- Originating (calling) telephone number (area code-prefix-line number);
- Terminating (called) telephone number (area code-prefix-line number);
- Incoming call received date and time (when the incoming or originating call is first received at the relay Console);



- Outgoing call attempt date and time (when the outgoing call to a called party is attempted);
- · Relay call connection date and time;
- · Relay call disconnection date and time;
- Incoming call disconnection date and time (when the CA disconnects the original incoming call);
- Call type (local, toll, intrastate, interstate, international);
- Originating device (Baudot, ASCII, voice, enhanced protocol);
- Terminating device (Baudot, ASCII, voice, enhanced protocol);
- Card validation number (if applicable);
- Call disposition (reason for disconnect, i.e. normal disconnect, invalid card number, the called party would not accept collect charges, etc.);
- Call duration;
- Language Indicator;
- VCO/HCO Indicators.

Three different invoice delivery systems are used by the relay service. The first supports station billed calls including collect calls, person-to-person calls, calls to or from hotel rooms, calls charged to a third party and local exchange carrier (LEC), regional operating bell company (RBOC) and non-proprietary interexchange (IXC) calling cards. Rated call records (intraLATA toll and interLATA) are formatted and delivered to the appropriate LEC for inclusion in the LEC's monthly customer invoice. Call detail information appears in the summary of MCI-specific charges.

The second system supports calls charged to commercial credit cards, Visa, Master Card, American Express, Discover, Diner's Club, and Carte Blanche. Rated call records (intraLATA and inter LATA) are formatted and delivered to the appropriate credit company for inclusion in their normal monthly customer invoice.

The third system supports calls charged to the MCI calling cards. Rated call records (intraLATA toll and interLATA) are, depending on local LEC/MCI billing arrangements, either used to generate an invoice which is directly mailed form MCI to the end user or are reformatted and delivered to the appropriate LEC for inclusion in the LEC's monthly customer invoice. In the latter case, call detail information appears in the summary of MCI calling card specific charges.

MCI provides positive hardware answer supervision on all calls, ensuring that all calls are registered, timed and billed at the exact point at which the calls are answered and terminated.

37. Special Needs

The provider will not be required to provide Special Need services. However, consideration will be given for additional evaluation points for proposals that include Special Need services as a part of the basic relay service.

Special Needs is defined as limiting factors of a physical or literacy nature that preclude a person who is hearing, speech or dual-sensory (both hearing and visually impaired) disabled from using basic relay service. Special Needs includes: (1) physical limitations, either temporary or permanent, which preclude use of a TDD with or without adaptations for persons with manual dexterity limitations (e.g., paralysis, severe arthritis, broken fingers) and (2) markedly limited ability either to read or write English or Spanish which precludes user from being able to use the relay service. (It should be understood that relay service does not include translation from one language to another for the Special Needs population or for any other consumers.) Special Needs does not include (1) unavailability of telephone service at the caller's home or business, (2) inability to communicate in either English or Spanish (i.e., where caller can only communicate in a language other than English or Spanish), or (3) handling complex calls (e.g., intervening in a call with a doctor to explain a medical procedure.)

The bidder shall describe what steps will be taken to provide telecommunications assistance to persons with hearing, speech and dual-sensory impairments who have special needs. This description shall include the types of services that would be provided, the prices to end users (if any) for those services, how those services would operationally be provided, how parties other than the provider would be involved in providing Special Needs services and how the provider would assure that those parties would fulfill their portion of the service obligation.

MCI understands and will comply

MCI conducted a Special Needs Relay Service pilot project in conjunction with the Deaf Service Center Association (DSCA) which provided the only known and available data on this population group and the telephone usage by this population group. A common issue among all Deaf Service Centers is the personnel time, especially competent interpreter time, required to provide the level of support required for the Special Needs TRS users to access the public telephone system.

The pilot study demonstrated some of the inequities inherent in serving Special Needs persons. Perhaps the most significant disadvantage is the widely dispersed location of Deaf Service Centers and the distance a user must travel to make a relay call. Some Centers experimented with the interpreter traveling to the residence of the user but such

practice was not well received by the TASA advisory committee. Another significant factor was the availability of competent interpreters and the cost of retaining such persons in availability when the demand for the services of sign language interpreters is already at a premium and often not readily available.

MCI proposes as a solution the donation of VRI equipment to up to 20 Deaf Service Centers throughout the state of Florida. This solution would be effective should the Commission elect to provide the VRI option for the users of Florida Relay Service.

The equipment to be provided by MCI would be Picturetel PCS 100. MCI proposes to provide the VRI unit installed in the Deaf Service Center equipment. Ownership of the VRI equipment would revert to the Deaf Service Center after six (6) months of successful use. No minimum number of calls would be imposed upon the Deaf Service Center during the six-month period or any time thereafter.

38. Unsolicited Features in Basic Relay Service

The provider will not be required to provide unsolicited features in its basic relay service. However, consideration will be given for additional evaluation points for proposals that include unsolicited features. The cost to the state for these unsolicited features must be included within the basic relay service price proposal.

Any additional features not described elsewhere in the RFP, and which the bidder is including in its basic relay service and price proposal, which a bidder would like to propose should be fully described indicating how the feature would work, how it would improve the system, which users would benefit from the feature and any other information which would allow the FPSC and PRC to evaluate the feature.

MCI understands and will comply

MCI has provided in Appendix D a list of features common to the TRS industry. These features are offered by MCI and are included in this proposal at no additional cost to the State.



39. FPSC Optional Services Not Included in Basic Relay Service But Available to Provide at Additional Cost

The following services will not receive evaluation points for the purpose of determining which bidder will be selected to provide relay service. However, once a provider is selected, the FPSC will determine which of the following services it may wish to add to the basic relay service and negotiate the conditions under which these optional services may be offered. If a bidder offers a service in this section and the FPSC chooses to purchase the service, the provider must provide the service.

For each item, the bidder should include the price per billable minute (or other basis) which it would charge for the purchase of the optional service over and above the price for basic relay service. That price per billable minute (or other basis) should be listed separately in the price proposal. The proposal should also indicate how each feature would work, how it would improve the system, which users would benefit from the feature, any direct charges that would be billed to the user, and any other information that would allow the FPSC to evaluate the feature.

MCI understands and will comply

39.a. Custom Calling Services

The provider will not be required to provide custom calling type services unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide services which offer functionalities similar to those of one or more of the following custom calling services. The proposed charge to the Administrator for custom calling service should be separately stated in the price proposal.

The bidder shall explain how a user could receive functionalities similar to those of the following services in conjunction with a relayed call. The bidder shall also indicate what additional cost would apply to the caller, if any. If no separate charge to the relay user is stated, it will be assumed there is no separate charge.

- a. Three-way calling which would allow a user with only one telephone line to conduct a conversation with two other parties at the same time.
- b. Last number redial which would allow the caller to dial the relay center and have the CA dial the last number called via relay without the caller having to give the number to the CA.



c. Call trace which would allow the caller to dial the relay center and have the CA provide the number of the last call made to the caller via relay.

MCI understands and will comply

MCI's TRS platform remains compatible with local exchange vendorsupplied functions. In much the same way that IXC (Interexchange Carrier) of choice is a solution to a complex problem of providing accessibility to long distance carriers, features such as three-way calling can also be incorporated into the service. FRS CAs can relay second and third parties along with the TRS user by maintaining protocols that determine when each person is allowed to speak. In this type of call, the CA familiarizes his or her self with caller A's voice when he/she is conferenced into the conversation and repeats that procedure when caller B is added. From that point on, the CA relays between the TTY user and callers A & B.

MCI is willing to work with the Commission and the TASA advisory committee to determine the level of desirability of a "last number dialed" feature. The absence of requests for such a feature at the various MCI TRS centers may suggest that such feature is not desirable as there may be no way to know when other users of a residential or business number have made other calls. Should this feature prove to be in demand, MCI will work with the Commission on development of such feature.

Like wise, MCI is willing to work with the Commission and the TASA advisory committee to determine the desirability of "call trace." MCI recognizes there may be legal issues associated with such feature in an instance such as when Caller ID Block is subverted because the TRS center has the caller ANI. Should the legal and demand issues be resolved, MCI will work with the commission on development of such feature.

39.b. Access to 900/976 Services

The provider will not be required to provide access to 900/976 service unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide 900/976 service. The proposed charge for 900/976 service should be separately stated in the price proposal.

The bidder should explain how it could provide relay service users with access to 976 and 900 number services. Bidders are to describe how such access can be provided,



how callers can disconnect without being charged and a methodology for billing the user directly for any charges incurred from the 900/976 service. The bidder should describe how it would deal with denied 900/976 calls and high bill complaints for 900/976 calls. If this service is provided, before placing the call, the CA shall advise the caller that there will be a charge for the call.

MCI understands and will comply

The Florida TRS is capable of processing all types of calls intrastate, interstate or international and shall provide various billing capabilities to include but not be limited to carrier of choice, third party billing, collect and calling cards.

MCI uses inbound 800 circuits and outbound Vnet circuits on T-1 facilities. MCI uses FGA circuits to enable Florida TRS callers to connect to regionally restricted 800 numbers and FGD circuits to the LEC tandem for carrier of choice connections.

MCI presently has the ability to complete calls to 900 numbers and allow billing to be handled correctly. We work with the LECs and providers of 900 services in the State of Florida to obtain the necessary routing information.

Calls to 900 and 976 numbers are completed on type 2A circuits to a LEC Access Tandem I each LATA. The call is completed by the Access Tandem to the 900 or 976 number holder and the originating ANI is sent forward with the call. Any billing for the call is made by the carrier handling the call to the true originating party, not the relay service. This is possible as the call is handled identically to a standard Carrier of Choice call.

39.c. Enhanced Transmission Speed & Interrupt Capability

The provider will not be required to provide the enhancements described below unless required for certification by the FCC. No additional evaluation points will be awarded to a bidder based on a proposal to provide these enhancements. The proposed charge to the Administrator for the enhancements below should be separately stated in the price proposal.

Enhancements may include the ability both to send and receive typed communications at the same speed as typed or transmitted. Enhanced protocols may also include the ability to send and receive interrupt signals while another party is typing. The bidder



should state what requirements would exist in order for the relay user to be able to utilize the above enhancements.

MCI understands and will comply

MCI recognizes that the newer models of TTYs on the market and in state distribution programs incorporate advanced features such as interrupt capability, faster transmission speeds, and other highly desirable features. As a provider of Florida TRS, MCI ensures that the MCI TRS is compatible with such desirable features. MCI will make enhanced protocol available to Florida TRS users.

39.d. Other Optional Features

Any additional features not described elsewhere in the RFP which a bidder would like to propose should be fully described. Examples might include, but are not limited to, features such as: providing a caller profile identifying to the CA the caller's preference regarding use of calling card, carrier of choice, use of HCO/VCO, descriptions of background noise; video interpreting; use of speech synthesis equipment instead of a CA to convert text to speech; use of voice recognition equipment instead of a CA to convert speech to text; etc.

No additional evaluation points will be awarded to a bidder based on a proposal to provide these unsolicited features. The proposed charge for any unsolicited features offered under this section should be separately stated in the price proposal.

MCI understands and will comply

MCI proposes to make video relay interpreting (VRI) available to users of FRS as an optional service. The cost of VRI is provided in the cost section of this proposal.

Video Relay Enhancement

FRS will recruit certified interpreters (either RID or NAD certified) from all related national publications, e.g. RID Views, NAD Broadcaster, Silent News, ADARA, Deaf Life. In addition, direct mail will be used to send positions opening information to all RID certified interpreters.

The interpreters will be skilled professionals needing minimal training. These interpreters will go through a New CA training with another group of newly hired CAs in order to become familiar with the technical aspects of the job.



There will also be further training provided with regard to requirements specific to video relay, e.g., how to work with video equipment, adjusting interpreting procedures/style to accommodate video relay format, strength and limitations imposed by video format.

MCI proposes to offer video relay service (VRS) as an optional service to Florida TRS users from a centralized video relay facility. MCI is currently in the process of defining the criteria for its video relay program which includes identifying the ideal location for the service.

The MCI video relay system requires a different group of personnel and a different relay system that allows for translation between a sign language user and a voice user. Instead of the traditional relay workstation, the video relay workstation will consist of an appropriately sized space equipped with videoconferencing equipment. At this time, MCI plans to use one of PictureTeI, Inc. (PTI) videoconferencing system complete with the necessary hardware, software, and Basic Rate Interface (BRI) connections.

The PTI Venue 2000 is configured for a transmission speed of up to 30 frames per second. Venue 2000 is capable of transmitting up to 1920 Kbps. For the purpose of FRS, MCI will provide dial-up ISDN BRI capability that allows for a bandwidth of up to 384 Kbps (each BRI is 128 Kbps, three BRIs ganged together is 384 Kbps).

MCI conducted internal testing of various video and network parameters using clarity of sign language as the main criteria. MCI believes that the combination of the 30 frames per second capability and the 384 Kbps service will more than adequately meet most users desires for clear and crisp sign language transmission.

The PTI Venue 2000 is designed for turn-key applications. The Venue unit consists of a monitor with a camera on top of it. The camera has zoom and focus capabilities that produces clean images necessary for sign language communications.

The PTI Venue 2000 is designed for use with H.320 protocol. Most videoconferencing systems available on the market are also designed for H.320 protocol and are capable of interfacing with Venue 2000. Therefore, FRS users should be able to use almost any video unit in order to reach and use the MCI video relay service.

Text to Speech

MCI supports the efforts of the state of Florida to incorporate emerging technologies into its programs and services and commends the parties



involved in this move to put Florida Relay System on the cutting edge of TRS technology.

MCI recognizes that text to speech used in conjunction with relay services, can be effected in two ways. One way is for customer premise equipment (CPE) to be made capable of generating the spoken word. This approach is today beginning to find its way into personal computer applications and is becoming widely used in several applications. This approach, however, is strictly within the customer's equipment and not part of the TRS system per se.

A second approach is to incorporate text to speech as a feature of the MCI hearing carry over (HCO) function which would enable a speech disabled person to type through the TRS system with the TRS system providing the speech generation and passing it on to the terminating user.

It is the second approach that MCI believes to be appropriate for users of Florida Relay System. MCI proposes to offer text to speech as an optional service. The cost of this service is provided in the cost section of his proposal.

Caller ID

MCI is capable of assisting the users of Florida TRS in identifying the calling party by providing the ANI (automatic number identification) as it appears on the console screen of the Communication Assistant.

MCI recognizes the interest in Caller ID which is deployed via Signaling System 7 protocol. The MCI network is among the most advanced in the world and supports practically any telecommunications technology. At such time when Signaling System 7 protocol can be deployed from the Florida LECs to the Interexchange Carriers, MCI will make this feature available to Florida TRS users.

40. Performance Bond

The Provider will be required to furnish an acceptable performance bond, certified or cashiers check or bank money order equal to the estimated total first year price of the contract. The bond shall be in effect for the entire duration of the contract.

To be acceptable to the FPSC as surety for performance bonds, a Surety Company shall comply with the following provisions:



- A. The Surety Company shall be admitted to do business in the State of Florida.
- B. The Surety Company shall have been in business and have a record of successful continuous operations for at least five (5) years.
- C. The Surety Company shall have minimum Best's Policy Holder Rating of A and Required Financial Rating of VIII from Best's Key Rating Guide.
- D. All bonds shall be signed by a Florida Licensed Resident Agent who holds a current Power of Attorney from the Surety Company issuing the bond.

MCI understands and will comply

41. Submission of Monthly Invoice

By the 7th calendar day of the month (or the subsequent business day if the 7th falls on a Saturday, Sunday or holiday), the provider shall submit a detailed invoice (showing billable minutes and rates) to the Administrator [defined in s.427.703(1)] at the contracted price for the previous month's activity. The accounting period used to prepare monthly invoices shall be the calendar month. Payment shall not exceed the prices contained in the contract. The invoice and supporting documentation shall be prepared in such a way as to allow the Administrator or the FPSC to audit the invoice. A copy of the monthly invoice shall be submitted to the contract manager at the same time it is submitted to the Administrator.

MCI understands and will comply

42. Travel

The Provider will not be entitled to a separate payment from the FPSC or the Administrator for any travel expense which occurs as a result of this contract.



43. Reporting Requirements

The provider shall provide to the Commission's Division of Communications and the Administrator the following written reports by the 25th calendar day of each month reporting data for the previous month. (More frequent or more detailed reports shall also be provided upon request.)

- a. Total daily and monthly
 - i. number of incoming calls (separately stating whether incoming calls originate as Baudot, ASCII or voice calls.) The number of incoming calls which are general assistance calls shall be footnoted on the report.
 - ii. number of incoming call minutes associated with each of the categories of incoming calls in a.i. above
 - iii. number of outgoing calls (provide two breakdowns of this total: one separately stating completed calls and incomplete calls, and one separately stating whether calls terminate as Baudot, ASCII or voice calls)
 - iv. number and percentage of incoming Florida calls received at each relay center operated by the provider (Total should equal the number of incoming calls in item a.i. above.)
- b. Average daily and monthly blockage rate.
- c. Range of answer times for the month and daily and monthly number an percent of incoming calls answered within 10 seconds.
- d. Total daily and monthly number of outgoing calls (including both completed and incomplete) of the following lengths:
 - 0 10 minutes
 - >10 20 minutes
 - >20 30 minutes
 - >30 40 minutes
 - >40 50 minutes
 - >50 60 minutes
 - >60+ minutes

Total of d. should equal total of a.iii.

e. On a daily basis for the month, number of outgoing calls and average length of calls by hour of day. (Total should equal total of a.iii.)



- f. Number of local, intraLATA toll, intrastate interLATA, interstate and international calls for the month. (Total should equal total of a.iii.)
- g. Number of outgoing calls and average length of completed outgoing calls originated by TDD users and voice users (identified separately). (Total number of calls should equal total in a.iii.)
- h. The provider shall provide monthly summary reports to the FPSC and the Administrator regarding number of complaints received categorized by topic areas.
- i. The provider shall report monthly to the FPSC and the Administrator the results of any user evaluations conducted.
- j. The provider shall report monthly on new subcontractors being used to assist in providing relay service and shall identify the scope of their role in the process and the relationship of the subcontractor to the provider.
- k. By March 1, the provider shall provide to the Administrator and the contract manager forecasted relay usage figures and costs to the Commission for the upcoming fiscal year (July 1 June 30).

The provider shall include information on its capability and willingness to provide ad hoc reports including new information in the bidder's database or new formats for existing information.

MCI understands and will comply

MCI will provide the FRS Contract Administrator with the requested reports which will summarize the performance of the relay system supporting the FRS. Each of these reports is detailed below and examples are included in Appendix E. Please note that sample data has been included in the report examples only for readability and does not necessarily reflect statistics observed during actual FRS operation.

MCI's report generation systems are extremely flexible. The following descriptions and examples reflect the reports that are produced if no other definitions are specified by the FRS Contract Administrator. However, at the discretion of the FRS Contract Administrator, these reports are modified to meet the state's needs. Possible alterations could include a change to the data fields included in the reports or the appearance of the report itself (titles, headers, format, etc.). Additionally, the frequency of the reports may be adjusted or entirely



new reports developed as defined by our ad hoc reporting process. MCI's Systems Engineering group is ready to work cooperatively with the FRS Contract Administrator in an effort to ensure that these reports provide the exact information needed to effectively manage the FRS.

- 1) Call Completion Summary Report Includes:
- Number of incoming calls per day (broken down by abandoned, general assistance and busy)
- Number of outgoing calls including numbers of calls unanswered
- Number of outgoing completed calls
- Number of incoming abandoned calls
- Blockage rate

Statistics are reported in 30-minute increments by NPA and provide daily and monthly totals as well as averages.

2) Communication Assistant Answer Time Report

This report indicates lapsed time from the point at which the call arrives at the MCI switch until it is answered by a CA.

3) Average Call Breakdown Report

This report provides average talk time per day and the average call setup/wrap-up times in seconds) per day.

4) Call Distribution Report

This report indicates the distribution (total daily and monthly number) of calls within the following call duration ranges:

0 - 5 min

5+ - 10 min

10+ - 15 min

15+ - 20 min

20+ - 30 min

30+ - 40 min

40+ - 50 min

50+ - 60 min

60+ min



5) Calling Pattern Report

This report provides calling patterns (number of calls and average length of calls, in 30 minute increments) by hour of day and day of week.

6) Daily CA Staffing Report

This report provides the total number of CA's hired/employed per month along with number of CAs on duty by hour of day and day of week in 30 min increments.

7) Call Types

This report provides the total number of calls completed on a daily basis broken down by local intraLATA toll, intrastate, interLATA, interstate and international and other (e.g. calls to 800 #'s) usage. Totals and averages are provided on a monthly basis.

8) Caller Profile Report

This report indicates the number of calls (with average call duration) originated by TTY, ASCII, VCO, HCO, STS, VTV, Voice, and non-English speaking users. Statistics are provided on a daily and monthly basis.

Report Delivery

MCI will deliver all reports outlined in this section no later than 21 calendar days after the close of each month.

Report Delivery Medium

All reports detailed in this section are delivered to the FRS Contract Administrator in hard copy format. If electronic formats are requested, MCI will comply. MCI will work cooperatively with the FRS Contract Administrator to ensure that the most appropriate transmission medium is employed.

Report Formats

Examples of formats that are used to produce the reports described in this section is provided in Attachment #5, labeled "Sample Statistical Reports".



Ad Hoc Reporting

MCI are committed to providing their customers, including the FRS Contract Administrator with the most flexible reporting capabilities possible. In order to provide this flexibility, a Systems engineering group has been established which consists of programmers and systems analysts responsible for providing specialized software systems in support of unique customer requirements. They are responsible for the design and development of the reporting systems supporting the FRS including the development of ad hoc or modified reports.

Annual Report Forecast

D.E.A.F. and MCI will provide the Contract Administrator with composite annual reports summarizing the information described above, within 45 days after the end of each fiscal year. On an annual basis, MCI will evaluate historical FRS traffic statistics and produce a report detailing forecasted service usage over the next 12 month period. This report is provided to the FRS Contract Administrator for their use in evaluating annual program budget requirements.

44. Liquidated Damages for Failure to Initiate Services on Time or to Provide Contracted Services for the Life of the Contract.

Implementation of the Florida Relay Service in a timely matter is essential. Failure by the Provider to implement the service by June 1, 1997 shall be considered a significant and material breach of the Provider's commitment. For every day the service is delayed, the Provider shall pay to the Administrator, for deposit in its operating fund, the sum of \$25,000 per day.

Liquidated damages shall accrue in amounts up to the following amounts per day of violation:

- a. For failure to meet answer time, blockage rate or transmission level requirement \$5,000
- b. For failure to meet complaint resolution requirement \$1,000
- c. For failure to provide reports \$500
- d. For failure to provide contracted services for the life of the contract, the FPSC reserves the right to require the payment by the Provider, of liquidated damages



in an amount commensurate with the duration and extent of the system deficiencies.

Any liquidated damages may be paid by means of the Administrator deducting the amount of the liquidated damage from a monthly payment to the provider. Such action shall only occur upon order of the FPSC.

MCI understands and will comply, with the following understanding:

Liquidated damages set forth in this provision shall not be applicable when the failure to implement the service is due to Force Majeure events as described below in MCI's Response to this RFP or is a result of an act or omission on the part of the State of Florida, the FPSC, their employees or agents.

45. Transfer to New Provider

When relay service is transferred to a new provider, the provider shall make every effort to ensure that service is transferred to the new provider so that relay users do not experience an interruption in service. The relay service and consumer service 800 or other telephone numbers shall be made available to the new provider, with the new provider paying any costs associated with transferring the numbers to the new provider's use.

MCI understands and will comply

As the incumbent provider of Florida Relay Service, MCI is prepared to initiate service under new contract conditions immediately. In the event of award to a competing provider, MCI will work with the new provider to effect a satisfactory transition.

46. Insurance Coverage

The provider shall provide insurance coverage for itself and all of its employees used in connection with performance of services under this Agreement and ensure that all subcontractors shall be similarly covered. Such policies shall be issued by a financially sound carrier and/or carriers. Such insurance coverage shall hold the FPSC harmless from all claims of bodily injury, including death, and property damage, including loss of use, by provider, its employees, agents or subcontractors and their employees. This insurance will include Worker's Compensation as required by law and comprehensive



general liability and bodily injury insurance in amounts that are commercially reasonable under the given circumstances.

MCI understands and will comply, with the following understanding:

Such insurance coverage shall hold the FPSC harmless from all claims of bodily injury, including death, and property damage, including loss of use, by provider, its employees, agents or subcontractors and their employees which arise as a result of this agreement; provided that MCI shall have no liability for damages to the FPSC or any other person for any claim arising out of this Agreement, unless such claim results from the intentional or negligent misconduct of MCI. In no event shall MCI be liable for any indirect, incidental or consequential damages sustained or incurred in connection with MCI's performance under this Agreement, regardless of the form of action, whether in contract, tort (including negligence), strict liability or otherwise; whether or not such damages are foreseen or unforeseen.



C. The Technical Bid Proposal Format

1. Format

- The bidder's proposal should be organized in the same order as the items listed in the checklist form in Section E. The bidder should provide information concerning each item in the checklist; however, for items rated as pass/fail, bidder may simply note that it has reviewed the item and agrees to comply with the item. For items for which points may be awarded, the bidder should explain how it will provide the service described in the RFP.
- Twenty (20) two-sided copies of the complete proposal should be filed.
- The technical proposal should be contained in a three-ring binder indicating the name of the bidder and indicating that the contents of the binder is the technical bid proposal only. (The price proposal shall be submitted in a separate sealed envelope see Section D.)
- Each page of the entire proposal should be numbered at the bottom center of each page and each page should be consecutively numbered with no repetition of page numbers in the entire proposal. For example, there should only be one page 1, one page 50 and one page 500 in the entire proposal. Page numbering should only be done in Arabic numerals with no pages numbered with other characters such as 5.7, iii, 6-a, XIX, or similar numbering systems.
- In the top or bottom margin of each page, the name of the company should be identified.
- To the extent possible, all pages of the proposal should be on 8½ x 11" paper. However, individual presentations which the bidder is unable to place on an 8½ x 11" page in a readable format may be presented on a larger page.

MCI understands and will comply

2. Transmittal Letter

Of the twenty copies of the complete proposal, the transmittal letter on one should contain the original manual signature of the person submitting the proposal on behalf of



the bidder. All twenty copies should also contain the signer's name and title typed. The transmittal letter shall clearly identify the complete legal name of the bidder.

Each person signing a proposal certifies that he/she is the person in the bidder's organization authorized to make the proposal. The signer shall provide he/her affiliation with the bidder, address, telephone and fax numbers. If different from the person signing the proposal, the proposal shall identify the person or persons (name, title, address, telephone and fax number) authorized to make decisions or answer questions related to the proposal and any subsequent contract.

In the transmittal letter the bidder should state that it will comply with all requirements of the RFP. If the bidder is unable to so state, it should in the transmittal letter identify the sections of the RFP with which it cannot comply and expand on that explanation in the body of its proposal.

MCI understands and will comply

3. Public Entity Crimes Provision

Pursuant to Section 287.133, Florida Statutes, a person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided for in Florida Statute 287.017 for Category Two (\$11,000) for a period of 36 months from the date of being placed on the convicted vendor list.

MCI understands and will comply

4. Financial Information

To allow the FPSC to evaluate the financial responsibility of the bidding company, the following items shall be submitted with the proposal for the bidding company (and its parent company, if applicable):

- 1. Audited Financial Statements (or a SEC 10K Report) for the most recent two (2) years, including at a minimum:
 - a. Statement of income and related earnings,



- b. cash flow statement,
- c. balance sheet, and,
- d. opinion concerning financial statements from an outside CPA;

MCI understands and will comply

See Appendix A for 1994 and 1995 10K reports and 1994 and 1995 annual reports.

2. Primary Banking Source letter of reference.

MCI understands and will comply, with the following understanding:

MCI does not openly supply detailed banking information for security purposes. However, for the purpose of responding positively to the RFP requirement, MCI will make the following information available to the State of Florida:

- 1. Opening date
- 2. Average ledger balance

MCI respectfully requests that the State of Florida contact Bryan Carrell at (904) 297-2125 to obtain access to the the necessary banking information (i.e. institution, contact, phone number). This is due to the fact that banking information is critically sensitive and MCI does not wish to make this information public via the standard RFP process.

5. Experience and Customer References

For each state in which the bidder has or is providing relay service, the bidder shall indicate: (1) when the bidder began operating the system, (2) the number of outgoing calls for the most recent month, and (3) the total duration of the contract. If the bidder's relay service is available for testing by means of a number that can be dialed from within Florida, bidder should provide the telephone numbers that can be used to dial the bidder's relay service.

The bidder shall provide the names of three customer references, including specific contact name and phone number, to whom the bidder has provided the bid service or a similar service. If no customer references are available or applicable, explain and



provide three alternative references explaining the relationship of the reference to the bidder.

MCI understands and will comply

See Appendix C for letters of reference.

References to contact in other states:

ARKANSAS (Wisconsin TRS Operations, Instate Outreach)

Contract Administrator: Kenneth Musteen, Board Chair The Arkansas Relay Services, Inc. 5326 West Markham St., Suite #1 Little Rock, AR 72205 (501) 296-1892 V/TTY

Dr. Glenn Anderson Research & Training Center on Deafness 4601 West Markham St. Little Rock, AR 72205 (501) 686-9691

MCI Contact Person: Tommy Walker, ARS Program Manager 700 Union National Plaza 124 W. Capitol Plaza Little Rock, AR 72201 (501) 372-1341 TTY

ARIZONA (Instate TRS Operation)

Contract Administrator: Stuart Brackney, Executive Director AZ Council for the Hearing Impaired 1400 W. Washington, First Floor Pheonix, AZ 85007 (602) 542-3323 V/TTY

MCI Contact Person: Randy Sergeant, TRS Program Manager 1130 E. University Dr., Suite 212 Tempe, AZ 85281(602) 929-4845



LOUISIANA (Arizona TRS Operations, Instate Outreach)

Contract Administrator: Luther Bill Prickett, Secretary/Treasurer Relay Advisory Board P.O. Box 3074 Baton Rouge, LA 70821

MASSACHUSETTS (Instate TRS Operations)

Contract Administrator
Marilyn L. Benoit, Staff Director
Center for Individuals with Disabilities
NYNEX
280 Locke Drive, Floor 4
Marlboro, MA 01752
(508) 460-4539 Voice

WISCONSIN (Instate TRS Operations)

Charlene Dwyer, Executive Director Center for the Deaf and Hard of Hearing 3505 N. 124 St. Brookfield, WI 53005 (414) 790-1040 Voice (414) 790-0584 TTY (414) 790-0580 Fax



Experience in Other States

STATE	DATE	DURATION	OUTGOING	ACCESS NO.
FLORIDA	1-Jun-92	3+1+1	207,509	1-800-955-
				8770 V
				1-800-955-
				8771 TTY
ARKANSAS	1-Jul-92	3+1+1	22735	1-800-285-
				1121 V 1-800-285-
				1-800-285- 1131 TTY
				1131111
WISCONSIN	1-Aug-92	5+1	58,266	1-800-047-
			,	3529
LOUISIANA	1-Jan-93	3+1+1	59,391	1-800-947-
				5277 V
				1-800-846-
· · · · · · · · · · · · · · · · · · ·				5277 TTY
ARIZONA	1-Aug-93	3+2	87,633	1-800-842-
7111201171	1 7 tug 00	0 . 2	01,000	4681 V
				1-800-367-
				8939 TTY
MASSACHUSET	1-Jun-96	4	105,621	1-800-439-
TS		1		0183 V 1-800-439-
				2370 TTY
				23/0 111
N. CAROLINA	1-Apr-96	4	94.353	1-800-735-
				2922 V
				1-800-735-
				2929 TTY
CALIFORNIA	40.0-4.00	2:4:4		4 000 705
CALIFORNIA	12-Oct-96	3+1+1		1-800-735-
				2922 V 1-800-735-
				2929 TTY

6. Bid Security Deposit

A bid security deposit in the amount of \$500,000 shall be furnished to the FPSC with the original of the proposal. The bid security deposit shall be in the form of a bond, a certified or cashier's check, or bank money order that is valid through at least January 31, 1997 and is payable to the Florida Telecommunications Relay, Inc. The bid security deposit will be held without cashing.



If a bond is used, the bond shall be issued from a reliable surety company acceptable to the FPSC, licensed to do business in the State of Florida and shall be signed by a Florida Licensed Resident Agent. Such a bond shall be accompanied by a duly authenticated power of attorney evidencing that the person executing the bond on behalf of the Surety had the authority do so on the date of the bond.

The unsuccessful bidders' bid security deposit shall be returned, without interest, within thirty (30) days after disqualification, withdrawal or signing of the contract. The successful bidder's bid security shall be returned, without interest, upon signing of the contract and furnishing the Performance Bond as specified herein. If the successful bidder fails to sign a contract within thirty (30) days after the Letter of Intent or fails to deliver the Performance Bond as specified herein, the bid security shall be forfeited to the Telecommunications Access System Fund.

MCI understands and will comply

See Appendix C for Bid Bond

Governing Law

The FPSC understands that MCI, in conducting its business in the manner set forth in its response, is subject to the Communications Act of 1934, as amended, and as interpreted and applied by the Federal Communications Commission. The Agreement, including all matters relating to the validity, construction, performance and enforcement thereof, shall be governed by the laws of the State of Florida without giving reference to its principles of conflicts of law, except to the extent the Communications Act of 1934, as amended, FCC rules or regulations, or any other applicable federal law applies. MCI will provide the services proposed pursuant to its applicable tariffs which are incorporated herein by reference and made a part hereof. In the event that any pricing proposed pursuant to this RFP requires a tariff filling, such pricing shall not be effective until the appropriate FCC or FPSC approval has been obtained.

Force Majeure

Notwithstanding anything to the contrary contained in this RFP and MCI's Response (including but not limited to installation and delivery), MCI shall not be liable for loss or damage or be deemed to be in breach of the Agreement due to MCI's failure of performance, wholly or in part, under the Agreement if such failure or delay of performance, is due to causes beyond MCI's reasonable control or beyond the reasonable control of its subcontractors or agents ("force majeure"), including but



not limited to, acts of God, fire, flood, explosion, storm or other similar occurrences; any law, order or regulation of the United States government or of any government, agency, commission or court having jurisdiction; cable cuts; riots; wars; strikes, or other such labor difficulties; acts of the local exchange company or other third party beyond the reasonable control of MCI. Any delay resulting therefrom shall extend performance accordingly or excuse performance by MCI in whole or in part, as may be reasonable.

7. Subcontractors

If the bidder proposes to use subcontractors, the bidder shall identify those subcontractors and indicate the scope of their role in the provision of relay service. The bidder should also indicate what experience the subcontractor has in providing the service for which it would contract with the Provider.

MCI understands and will comply

8. Check List of Proposal Content

As a part of the bidder's proposal, the transmittal letter should be followed by the evaluation check list in Section E. In the blank beside each item on the check list, the company contact person who is responsible for the proposal and any subsequent contract and who signs the transmittal letter should initial (not check) each item in the check list which is contained within the proposal. The person initialing the check list should ensure that each item in the check list is also contained in its proposal and in the same order as the item appears in the check list. The bidder should also indicate beside each item in the checklist the page number in its proposal where the item in the check list can be found.

MCI understands and will comply

See Proposal Checklist at front of proposal.



D. The Price Proposal Format

Bidders shall submit their bids on the basis of a charge per billable minute for all services described with the exception of those optional services described in items 39 a, b, c, and d. The prices per billable minute (or other basis) for items 39 a, b, c, and d shall be separately stated. A format similar to that shown below should be used for the price proposal.

NOTE: THE PRICE PROPOSAL SHALL BE FILED IN A SEPARATE SEALED ENVELOPE MARKED: "SEALED - TO BE OPENED ONLY BY THE FPSC PROPOSAL OPENING OFFICER"

SERVICE

PRICE PER BILLABLE MINUTE

1. BASIC RELAY SERVICE

\$ Per Billable Minute

(Bid price should be on the basis of a flat rate per billable minute and not vary depending upon the volume of traffic).

2. OPTIONAL FEATURES

a.	Custom Calling Services	\$	Per Billable Minute (or other basis)
b.	Access to 900/976	\$	Per Billable Minute (or other basis)
c.	Enhanced Transmission Speed and Interrupt Capability	\$ y	Per Billable Minute (or other basis)
d.	Optional Feature #1	\$	Per Billable Minute (or other basis)
e.	Optional Feature #2	\$	Per Billable Minute (or other basis)



See separate Price Proposal submission.



E. The Evaluation Method To Be Used And Filing Check List

Technical proposals will be evaluated using a pass or fail criteria for some elements and using a point rating criteria for other elements. The PRC Chairperson reserves, at his discretion, the right to notify and allow a bidder a minimum time period to cure minor irregularities in both items rated on a pass/fail or a point basis. Failure to cure such minor irregularities may result in elimination of the proposal from further evaluation.

For items that are rated on a point basis, each member of the PRC will rate each item giving it a rating of between zero and the maximum point rating shown on the check list on the following pages.

The technical ratings will be based on the PRC member's evaluation of the evaluated item using the following scale.

Where maximum points equals	Poor	Fair	Good	Excellent
10	0-2.5	2.6-5.0	5.1-7.5	7.6-10
25	0-6.3	6.4-12.5	12.6-18.8	18.9-25
50	0-12.5	12.6-25	25.1-37.5	37.6-50
75	0-18.8	18.9-37.5	37.6-56.3	56.4-75
100	0-25	26-50	51-75	76-100
200	0-50	51-100	101-150	151-200

Total points from each PRC evaluator on the technical proposal will be added together for a total technical score. The technical score totals for each bidder will be compared by using the point total for the bidder with the highest point total as the denominator of a fraction with each bidder's individual point total as the numerator. Each bidder's percentage will then be multiplied by 60% to arrive at the weighted score for each bidder's technical proposal.

Next, a weighted score for each bidder's price proposal shall be calculated as follows. Each bidder's price will be compared by using the lowest bidder's bid price for basic relay service as the numerator of a fraction with each bidder's price as the denominator. Each bidder's percentage will then be multiplied by 40% to arrive at the weighted percentage score for each bidder's price proposal.

Each bidder's weighted percentage score for its technical proposal and for its price proposal will be added together and the bidder with the highest total will be recommended by the PRC to the FPSC. However, the FPSC reserves the right to reject the PRC's recommendation.



Evaluation Example

The following is an example of how the PRC would evaluate the bidders. The numbers used are strictly for illustrative purposes and not intended to provide any guidance in terms of what the FPSC anticipates the price, price relationships or usage levels to be.

Assumptions:

a) Sum of total technical points by all evaluators:

Bidder A - 7,500 Bidder B - 7,000 Bidder C - 5,500

b) Bidders' price proposals for basic relay service:

Bidder A - \$.55 per billable minute Bidder B - \$.60 per billable minute Bidder C - \$.50 per billable minute

The technical evaluation is as follows:

```
Bidder A (7,500 points) - 7,500/7,500 = 1.000 x 60% = .6000 Bidder B (7,000 points) - 7,000/7,500 = .9333 x 60% = .5600 Bidder C (5,500 points) - 5,500/7,500 = .7333 x 60% = .4400
```

The price evaluation is as follows:

```
Bidder A ($.55 per billable minute) - 5.50/5.55 = .9091 \times 40\% = .3636
Bidder B ($.60 per billable minute) - 5.50/60 = .8331 \times 40\% = .3333
Bidder C ($.50 per billable minute) - 5.50/50 = 1.000 \times 40\% = .4000
```

The total is calculated as follows:

```
Bidder A - .6000 (technical) + .3636 (price) = .9636*
Bidder B - .5600 (technical) + .3333 (price) = .8933
Bidder C - .4400 (technical) + .4000 (price) = .8400
* Recommended by PRC to FPSC.
```

MCI understands and will comply

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 1994

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-6457

MCI COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 52-0886267

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1801 Pennsylvania Avenue, N.W.
Washington, D.C.

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (202) 872-1600

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

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

Common Stock, \$.10 par value per share

(Title of class)

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

Yes X No

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

The aggregate market value of the voting stock of registrant, which includes the Common Stock and Class A Common Stock, held by non-affiliates was \$13,231,987,645 at February 17, 1995, based upon the closing price of the Common Stock on that date.

As of February 17, 1995, registrant had outstanding 544,745,597 shares of Common Stock and 135,998,932 shares of Class A Common Stock.

Documents Incorporated by Reference:
Portions of the Annual Report to Stockholders for the year ended December 31,
1994 - Part II
Portions of the Proxy Statement For the 1995 Annual Meeting of Stockholders Part III

PART I

Item 1. Business

GENERAL

MCI* is the second largest nationwide carrier of long-distance telecommunications services and the third largest carrier of international long-distance telecommunications services in the world. MCI provides a wide spectrum of domestic and international voice and data services, which include long-distance telephone services, data communications services and electronic messaging services. During each of the last three years, more than 90% of MCI's operating revenues, operating income and assets related to MCI's activities in the long-distance telecommunications industry.

At December 31, 1994, MCI had approximately 41,000 full-time employees.

SERVICES

MCI provides a wide range of long-distance telecommunications services, including the following: dial 1 access and dial access long-distance telephone service; voice and data services over software-defined virtual private networks; private line and switched access services; collect calling, operator assistance and calling card services; toll free or 800 services; and 900 services. The company offers these services individually and in combinations to meet the changing needs of its customers. Through combined offerings, MCI is able to provide customers with benefits such as single billing, unified services for multi-location companies and customized calling plans.

^{*}MCI conducts its business primarily through its subsidiaries. Unless the context otherwise requires, "MCI" or "company" means MCI Communications Corporation, a Delaware corporation organized in August 1968, and its subsidiaries on a consolidated basis. MCI is a registered service mark of MCI Communications Corporation. MCI has its principal executive offices at 1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006 (telephone number (202) 872-1600).

MCI markets its domestic and international voice and data communications services through several business units. MCI's Communication Services Group markets domestic and international long-distance telecommunications services to business, government and residential customers through its Business Markets and Consumer Markets Units. Domestic data communications and electronic messaging services are marketed through MCI's Data Services Division which is a part of the Business Markets Unit. International data communications and electronic messaging services are marketed through MCI International, Inc., a wholly-owned subsidiary of MCI. To a lesser extent, MCI also markets its voice and data communications services domestically and internationally through arrangements with third parties.

SYSTEM

Domestic long-distance services are provided primarily over MCI's own coast-to-coast optical fiber and terrestrial digital microwave communications system and, to a lesser extent, over transmission facilities leased from other common carriers utilizing MCI's digital switches. International communications services are provided by way of submarine cable systems in which MCI holds investment positions, satellites and facilities of other domestic and foreign carriers.

MCI continues to expand its digital transmission and switching facilities and capabilities to meet the requirements of its customers for additional and enhanced domestic and international services, to add redundancy to its network and to enhance network intelligence. This expansion includes the continued deployment in its network of Synchronous Optical Network ("SONET") and Asynchronous Transfer Mode ("ATM") technologies.

SONET technology, which uses laser light instead of electrical signals, will substantially increase the speed at which data is carried on MCI's network allowing MCI to provide high-speed multimedia applications and information services throughout its domestic network and on new international routes across the Atlantic and Pacific. In addition, it allows MCI to install customer circuits faster and identify network problems before customers become aware of them. SONET technology is currently operational on the domestic network and is anticipated to be operational on international routes by year end 1995.

ATM technology, a state-of-the-art switching technology that facilitates the provision of a wide range of data communications services, will increase MCI's network switching capabilities and permit MCI's customers to transmit simultaneously voice, data and video communications over the same line. ATM will be offered

commercially in 1995 on a substantial portion of MCI's network and will be fully deployed in 1996.

These network initiatives and continued expansion of the network require a high level of capital expenditures. In 1995, MCI anticipates that capital expenditures of approximately \$3 billion will be required in connection with the introduction of new services and the continued development of its communications system. Included in this amount is approximately \$500 million for its subsidiary, MCI Metro, Inc. ("MCImetro"), which will serve the local services market. See "LOCAL ACCESS" below. Capital expenditures were approximately \$2.9 billion in 1994, \$1.7 billion in 1993 and \$1.3 billion in 1992.

LOCAL ACCESS

MCI provides customers that typically have very large volumes of communications with direct access to its long-distance network. All other customers are provided access to MCI's services through local interconnection facilities provided by local exchange carriers ("LECs") and, to a much lesser extent, by competitive access providers ("CAPs").

The cost to obtain these interconnection facilities from the LECs and CAPs is a significant component of MCI's operating expenditures. These facilities are typically available only from the LEC which serves the geographic market for local services, including interconnection services. However, as a result of regulatory developments at both the federal and state levels, the local services markets are beginning to open up to competition. These developments include the partial unbundling of special and requiring the LECs to provide switched access services and interconnection outside their switching facilities to allow the to provide interstate access. See "COMPETITION and REGULATION below. MCI expects to benefit from this competition through lower access costs, although the extent of such benefit cannot be quantified.

MCImetro

MCI established MCImetro to enter the local services market and compete with the LECs and CAPs, initially in special access services and then, when permitted by local regulation, all local services. MCImetro has (i) filed applications in eleven states for the authority to offer a full range of local services, five of which (New York, Maryland, Massachusetts, Washington and Wisconsin) have granted such authority to date; and (ii) begun construction of fiber-optic rings in twenty major metropolitan areas to be completed by year end 1995. In addition, MCImetro is currently installing and testing switches in several metropolitan areas in

anticipation of receiving authority to provide local services. MCImetro expects vigorous competition from both the LECs and CAPs in the local services market. See "COMPETITION" below.

GLOBAL ALLIANCES

MCI continues to expand the use and reach of its services through the development of global alliances, in order to meet the global needs of its customers.

In 1994, MCI completed all the transactions contemplated under the August 1993 agreements with British Telecommunications plc ("BT"). This included (i) the acquisition by BT of approximately a 20% equity interest in MCI for approximately \$4.3 billion (\$830 million of which was received in June 1993 for approximately a 4.9% equity interest and \$3.5 billion of which was received in September 1994 for the remainder); (ii) the formation in July 1994 of Concert Communications Company ("Concert"), a business venture between BT and MCI, to provide global enhanced and value-added telecommunications services; and (iii) the purchase in January 1994 by MCI of substantially all the assets of the United States operations of BT's data communications services subsidiary, BT North America, Inc.

Concert, in which MCI owns a 24.9% equity interest, provides global enhanced and value-added telecommunications services such as packet data, frame relay and managed bandwidth services. MCI is the exclusive distributor of Concert services in North, Central and South America, and BT is the exclusive distributor in the rest of the world. In September 1994, MCI invested \$79 million in this business venture and intends to continue making contributions to Concert over the next several years in order to maintain its proportionate interest.

Also in 1994, the company entered into a joint venture agreement with Grupo Financiero Banamex-Accival ("Banacci"), Mexico's largest financial group, which resulted in the formation of AVANTEL S.A. de C.V. ("AVANTEL") to provide competitive domestic and international long-distance telecommunications services in Mexico using MCI's technology. Subject to the grant of a concession from the government of Mexico, AVANTEL is expected to provide competitive switched telecommunication services in Mexico commencing in 1996. MCI owns a 45% equity interest in AVANTEL. The consummation of the transaction with Banacci is subject to the satisfaction of various conditions, including the receipt of a concession which has not yet been obtained.

In 1992, MCI entered into a strategic alliance with Stentor, an alliance of major Canadian telephone companies, to develop a fully integrated intelligent network linking the United States and

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Canada. The Stentor alliance and the AVANTEL joint venture will facilitate the development of a fully integrated, seamless North American network capable of providing services with identical features to customers throughout the United States, Canada and Mexico.

COMPETITION

Long-Distance Telecommunications Services

Competition in the long-distance telecommunications services market is intense, and MCI expects it to remain so for the foreseeable future. AT&T Corp. ("AT&T") continues to be MCI's primary competitor in the domestic and international long-distance telecommunications services market. AT&T is substantially larger than MCI and continues to compete vigorously with MCI. In general, MCI's long-distance telecommunications services are priced lower than the comparable services offered by AT&T. Although price is a significant factor in customer choice, innovation and quality of services, marketing strategy, customer service and other non-price factors are also important elements affecting competition.

MCI also competes with Sprint Corporation and other facilities-based domestic telecommunications common carriers and numerous resellers of long-distance telecommunications services. Under current Federal Communications Commission ("FCC") policy, almost any entity can freely enter the domestic long-distance telecommunications services market. Further, MCI also competes with LECs that service a local access transport area ("LATA") where MCI is authorized to provide intra-LATA long-distance telecommunications services. MCI expects competition in this market to remain intense for the foreseeable future.

The seven Regional Bell Operating Companies ("RBOCs") are currently prohibited by the 1982 AT&T divestiture decree from entering the interstate long-distance telecommunications services market. Nevertheless, they have attempted to obtain relief from this and other restrictions through petitions to the federal courts and support of proposed legislation in Congress.

A telecommunications bill is pending before the United States Senate which would allow long-distance carriers to provide local services and the RBOCs to provide long-distance services with certain restrictions and requirements applicable to the RBOCs. It is expected that the House of Representatives will introduce a bill covering these subjects in May 1995.

It is not possible at this time to determine if a bill will be adopted or enacted by the United States Congress and, if enacted, what it will provide. However, if such a bill is passed, it is likely it will permit the RBOCs to compete in the long-distance services business subject to certain restrictions and conditions.

If the RBOCs are permitted to offer long-distance services, MCI anticipates that the RBOCs, which have very substantial capital and other resources and long standing customer relationships, will compete vigorously in this market. Furthermore, to the extent the RBOCs maintain a monopoly in their local services markets, they have the potential to subsidize long-distance rates with profits from their monopoly business.

Concert

AT&T and Sprint have formed, or are in the process of forming, global alliances that will compete with Concert. AT&T's WorldPartners is an association of member companies formed in 1993 to provide a family of telecommunications services (private line, frame relay and virtual network services) to multinational customers. Members of the association include AT&T, KDD of Japan, Singapore Telecom, Telstra of Australia, Unisource, Hong Kong Telecom, Unitel of Canada, Korea Telecom and Telefonica of Spain.

Sprint, France Telecom ("FT") and Deutsche Telekom ("DT") have announced plans to form a global partnership to offer an array of international telecommunication services to multinational business customers. As part of the proposed transaction, FT and DT will each acquire up to 10% of Sprint's common stock. This partnership is subject to various United States regulatory approvals and may be subject to foreign regulatory approvals.

It is expected that AT&T's World Partners and the Sprint, FT and DT partnership, if it obtains the necessary regulatory approvals, will be significant competitors of Concert.

Local Services

The partial unbundling of local special and switched access services through the FCC's actions has created an opportunity for MCI, through MCImetro, and the CAPs to compete with the LECs in providing these services. See "LOCAL ACCESS" above. In addition, as the state regulatory authorities open up additional local services to competition, MCImetro will also compete with the LECs in the offering of these services. MCI expects that the LECs, which have substantial capital and other resources, long standing customer relationships, extensive existing facilities and network rights-ofway, will compete vigorously with MCImetro in the local services market. A number of other regulatory issues, such as local number

portability, mutual compensation arrangements and universal service reform, will have profound impacts on the development of competition in the local services market. While the FCC has announced its intention to address some of these issues, the timing and possible outcome of its decisions are unknown.

Further, the state regulatory agencies regulating the LECs may provide them with a greater degree of flexibility in pricing their services than is currently permitted. This greater flexibility may allow the LECs to determine their rates within a certain range and to enter into individual contracts with customers. The company believes this flexibility and the LECs control of those portions of the local exchange network that cannot be reproduced efficiently by competitors present opportunities for the LECs to subsidize the cost of services which compete with MCImetro's proposed services in an effort to stifle competition.

MCImetro will also compete in the local services market with a number of CAPs, a few of which have existing local networks and significant financial resources.

REGULATION

The FCC has extensive authority to regulate interstate services and local access facilities and services provided by the common carriers, including the power to review the interstate rates charged by carriers and to establish policies that promote competition for interstate telecommunications services. For example, the FCC requires that all common carriers subject to its jurisdiction file tariffs for service offerings. MCI's long-distance offerings are considered "non-dominant" by the FCC and, in general, are subject to less regulatory requirements than AT&T's. The FCC has also announced that CAPs, such as MCImetro, shall file tariffs as non-dominant carriers, which filing requirements are less restrictive than those imposed on the LECs.

Several actions by the FCC will affect MCI's cost of purchasing interstate access from the LECs, although the impact is not quantifiable. For example, in 1992, the FCC required the LECs to offer dedicated, flat-rated (non-usage sensitive) transport. This rate structure is similar to that offered by CAPs and may encourage the development of competitive pricing. The FCC has given the LECs limited pricing flexibility in offering transport, including the ability to offer volume term pricing discounts once a threshold level of CAPs' circuits are interconnected to a LEC network. In addition, LECs are also required to offer transport priced on a per minute of use basis, an alternative that is likely to be used by smaller and mid-sized long-distance companies with lower traffic volumes. This per minute alternative was intended by the FCC to mitigate potential adverse effects on long-distance competition of

volume based transport charges. During 1995, the FCC is expected to consider further revisions to its transport rules, which may require the LECs to revise their transport tariffs.

The FCC also has permitted to take effect, subject to further investigation, LEC expanded interconnection tariffs that establish the rates, terms and conditions by which CAPs interconnect to LEC networks for the delivery of interstate access services. The FCC has mandated that the LECs provide interconnection at a point just outside their switching facilities ("virtual" collocation), although LECs may at their option allow interconnection inside their switching facilities ("physical" collocation). The FCC's decisions are expected to permit MCImetro and CAPs to begin to offer interstate switched and special access services.

To the extent MCI and MCImetro provide intrastate local and long-distance services, they are subject to state regulatory commissions which have extensive authority to regulate the provision of such services. MCImetro will not be able to offer a full range of services in competition with the LECs unless state regulatory rules change significantly. MCI will vigorously pursue legislative and regulatory changes that open remaining local services markets to competition. The development of effective competition for local services also depends on state regulators' responses to issues of local number portability, mutual compensation arrangements, universal service reform and other issues.

Rates of international communications carriers for traffic from the United States to foreign countries are subject to regulation by the FCC. Revenues derived from international services (with the exception of leased channel services) are generally collected by the originating carrier and divided with the terminating carriers by means of agreements that are subject to the approval of the FCC and the appropriate overseas agency. International communications facilities in the United States are also subject to the jurisdiction of the FCC, and the provision of services to a foreign country is subject to the approval of the FCC and the appropriate foreign governmental agencies.

Item 2. Properties.

MCI leases, under long-term leases, portions of railroad, utility and other rights-of-way for its fiber-optic transmission system. MCI also has numerous tower sites, generally in rural areas, to serve as repeater stations in its domestic microwave transmission system. Most of these sites are leased, although MCI does own many of those which are at an intersection of two or more routes of MCI's transmission system. Generally, MCI owns the buildings that serve as switch facilities for the transmission

system. In metropolitan areas, MCI leases facilities to serve as operations facilities for its intercity and overseas transmissions systems.

MCI also leases, under long-term leases, office space to serve as sales office and/or administrative facilities. Some of these facilities are located jointly with operations facilities. In addition, MCI owns its headquarters building in Washington, D.C. and two buildings in a suburb of Washington, D.C., as well as administrative facilities in Cary, North Carolina; Cedar Rapids, Iowa; Colorado Springs, Colorado; Piscataway, New Jersey; and Richardson, Texas.

Item 3. Legal Proceedings.

Information regarding contingencies and legal proceedings is included in Note 11 of the Notes to Consolidated Financial Statements on page 23 of the company's Annual Report to Stockholders for the year ended December 31, 1994, which has been filed as Exhibit 13 to this Annual Report on Form 10-K. Such information is incorporated herein by reference pursuant to General Instruction G(2).

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

None.

ITEM 10. EXECUTIVE OFFICERS BEGINS ON NEXT PAGE.

Item 10. Executive Officers of the Registrant.*

The executive officers of MCI, including its subsidiaries, are elected annually and serve at the pleasure of the respective board of directors. They are:

Name	Age*	Position**
Bert C. Roberts, Jr.	52	Chairman of the Board, Chief Executive Officer, Director
Gerald H. Taylor	53	President and Chief Operating Officer, Director
Timothy F. Price	41	Executive Vice President and Group President, MCI Telecommunications Corporation
Seth D. Blumenfeld	54	President, MCI International, Inc.
Angela O. Dunlap	38	Executive Vice President, MCI Telecommunications Corporation
John W. Gerdelman	42	Executive Vice President, MCI Telecommunications Corporation
Douglas L. Maine	46	Executive Vice President and Chief Financial Officer
Scott B. Ross	43	Executive Vice President, MCI Telecommunications Corporation
Michael J. Rowny	44	Executive Vice President, MCI Telecommunications Corporation
Fred M. Briggs	46	Senior Vice President, MCI Telecommunications Corporation
Laurence E. Harris	58	Senior Vice President, MCI Telecommunications Corporation
John R. Worthington	64	Senior Vice President, General Counsel, Director
Bradley E. Sparks	48	Vice President and Controller

^{*}As of March 1, 1995.

^{**}Unless otherwise indicated, the position is with MCI Communications Corporation.

Mr. Roberts has been Chairman of the Board of MCI since June 1992 and Chief Executive Officer of MCI since December 1991. He was President and Chief Operating Officer of MCI from October 1985 to June 1992 and President of MCI Telecommunications Corporation, the subsidiary of MCI providing long-distance telecommunications services, from May 1983 to June 1992. Mr. Roberts has been a director of MCI since 1985.

Mr. Taylor has been President and Chief Operating Officer since July 1994. He has been President and Chief Operating Officer of MCI Telecommunications Corporation since April 1994. He was an Vice President and Group Executive Executive Telecommunications Corporation from September 1993 to April 1994. He was an Executive Vice President of MCI Telecommunications Corporation, serving as President, Consumer Markets, from November 1990 to September 1993. For more than five years prior thereto, Mr. Taylor was a Senior Vice President of MCI Telecommunications Corporation, serving at separate times, as President of the Mid-Atlantic Division and the West Division. Mr. Taylor has been a director since September 1994.

Mr. Price has been an Executive Vice President and Group President of MCI Telecommunications Corporation, serving as Group President, Communication Services, since December 1994. He was an Executive Vice President of MCI Telecommunications Corporation, serving as President, Business Markets, from June 1993 to December 1994. He was a Senior Vice President of MCI Telecommunications Corporation from November 1990 to June 1993, serving as President, Business Services, from July 1992 to June 1993 and as Senior Vice President, Consumer Markets, from November 1990 to July 1992. For more than five years prior thereto, Mr. Price was a Vice President of MCI Telecommunications Corporation.

Mr. Blumenfeld has been President of MCI International, Inc., a subsidiary of MCI that provides and markets telecommunications services internationally, since September 1984.

Ms. Dunlap has been an Executive Vice President of MCI Telecommunications Corporation, serving as President, Consumer Markets, since October 1993. She was a Senior Vice President of MCI Telecommunications Corporation serving as Senior Vice President, Consumer Markets, from April 1993 to October 1993 and Vice President of MCI Telecommunications Corporation from November 1990 to April 1993. For more than five years prior thereto, Ms. Dunlap was employed by MCI Telecommunications Corporation in various managerial positions.

Mr. Gerdelman has been an Executive Vice President of MCI Telecommunications Corporation, serving as President, networkMCI Services, since October 1994. He was a Senior Vice President of MCI Telecommunications Corporation from August 1992 to October 1994. From July 1991 to August 1992 he was President and Chief

Executive Officer of MCI Services Marketing, Inc., a company that provided telemarketing services to, and in which a 51% equity interest was held by, MCI Telecommunications Corporation. For more than two years prior thereto, he was Executive Vice President and Chief Operating Officer of Pioneer Teletechnologies, Inc., a company that provided telemarketing services to, and in which a 25% equity interest was owned by, MCI Telecommunications Corporation. Mr. Gerdelman is also a director of General Communication, Inc., telecommunications provider in Alaska. of which Telecommunications Corporation owns approximately 33% of its outstanding shares of Class A Common Stock and approximately 31% of its outstanding shares of Class B Common Stock.

Mr. Maine has been an Executive Vice President since April 1994. He was a Senior Vice President from September 1988 to April 1994. Mr. Maine has been Chief Financial Officer of MCI since February 1992, was Senior Vice President of Finance from April 1989 to November 1990 and was Controller of MCI from June 1987 to April 1989. From November 1990 to February 1992, he was a Senior Vice President of MCI Telecommunications Corporation, serving as President of the Southern Division.

Mr. Ross has been an Executive Vice President of MCI Telecommunications Corporation, serving as President, Business Markets, since December 1994. He was a Senior Vice President of MCI Telecommunications Corporation from September 1993 to December 1994 and a Vice President of MCI Telecommunications Corporation for more than five years prior thereto.

Mr. Rowny has been an Executive Vice President of MCI Telecommunications Corporation, serving as Executive Vice President, Alliances and Ventures, since June 1994. Prior thereto, he was President of MJR Enterprises, a consulting company, from April 1994 to June 1994; Executive Vice President and Chief Financial Officer and a director of ICF Kaiser International, Inc., an environmental and engineering services company, from April 1992 to April 1994; and Chairman and Chief Executive Officer of Ransohoff Company, a manufacturer of environmental and industrial equipment, from November 1989 to April 1992.

Mr. Briggs has been a Senior Vice President of MCI Telecommunications Corporation since July 1989. Mr. Briggs has served as Chief Engineering Officer since October 1994 and, for more than five years prior thereto, he served as Senior Vice President, Network Services.

Mr. Harris has been a Senior Vice President of MCI Telecommunications Corporation since January 1995. He was General Manager of MCI's Wireless Communications Services group from December 1993 through December 1994. For more than five years prior thereto, he served, simultaneously, as Chairman, President

and Chief Executive Officer of Crico Communications Corporation and President and Chief Executive Officer of International Telecom Systems, each of which provide paging services.

Mr. Worthington has been General Counsel of MCI since 1971, a Senior Vice President of MCI since September 1979, and a director of MCI since 1968.

Mr. Sparks has been a Vice President and Controller of MCI since September 1993 and was a Vice President and Treasurer of MCI from September 1988 to September 1993.

PART II

Item 5. Market for Registrant's Common Equity and Related
Stockholder Matters.

MCI Common Stock is traded on the NASDAQ National Market. The tables below set forth the high and low sales prices of the Common Stock as reported for the periods indicated. (Prices in the 1993 table below have been adjusted for the two-for-one stock split effected in the form of a 100% stock dividend issued on July 9, 1993.)

1994

	HIGH	LOW	
1st Quarter	\$29	\$22 5/8	
2nd Quarter	24 15/16	21 3/8	
3rd Quarter	25 7/8	21 1/2	
4th Quarter	25 1/2	17 1/4	

1993

	HIGH		LOW	
				-
			4	
Quarter				13/16
Quarter				7/16
Quarter				1/4
Quarter	29	5/8	24	1/8
	Quarter Quarter Quarter Quarter	Quarter \$23 Quarter 28 Quarter 29	Quarter \$23 Quarter 28 15/16 Quarter 29 7/8	Quarter \$23 \$18 Quarter 28 15/16 21 Quarter 29 7/8 26

MCI paid cash dividends of \$.025 per share of Common Stock in July and December 1993 and 1994 (July 1993 is adjusted for the effect of the two-for-one stock split) and an equivalent cash dividend on the shares of Series D Preferred Stock and Class A Common Stock outstanding at the applicable record date.

At February 17, 1995, there were 52,297 holders of record of MCI's Common Stock and 1 holder of record of MCI's Class A Common Stock.

Items 6 through 8.

The information required by these items is included in pages 4 through 25 of the company's Annual Report to Stockholders for the year ended December 31, 1994. The referenced pages of the company's Annual Report to Stockholders have been filed as Exhibit 13 to this document. Such information is incorporated herein by reference pursuant to General Instruction G(2).

Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers.

Information with respect to executive officers of MCI is set forth in Part I of this Annual Report on Form 10-K.

Information with respect to directors of MCI is incorporated herein by reference to the information under the captions "Election of Directors" and "Compliance with Section 16(a) of the Exchange Act" in MCI's Proxy Statement for its 1995 Annual Meeting of Stockholders (the "1995 Proxy Statement").

Item 11. Executive Compensation.

Information with respect to executive compensation is incorporated herein by reference to information under the captions "Board of Directors' Committees, Meetings and Fees", "Remuneration of Executive Officers", "Pension Plans" and "Compensation Committee Interlocks and Insider Participation" in the 1995 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information with respect to security ownership is incorporated herein by reference to the information under the captions "Election of Directors" and "Security Ownership of Management and Certain Beneficial Owners" in the 1995 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information with respect to certain relationships and related transactions is incorporated herein by reference to the information under the caption "Certain Relationships and Related Transactions" in the 1995 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

- (a) Documents filed as a part of this report.
 - (1) Financial Statements:

Report of Management

Report of Independent Accountants

Income Statements for the years ended December 31, 1994, 1993 and 1992

Balance Sheets at December 31, 1994 and 1993

Statements of Cash Flows for the years ended December 31, 1994, 1993 and 1992

Statements of Stockholders' Equity for the years ended December 31, 1994, 1993 and 1992

Notes to Consolidated Financial Statements

The Financial Statements and Notes thereto are incorporated herein by reference to the appropriate portions of the company's Annual Report to Stockholders for the year ended December 31, 1994. (See Part II.)

(2) Financial Statement Schedules:

The following additional financial data should be read in conjunction with the Financial Statements and Notes thereto which are included in Exhibit 13 to this Annual Report on Form 10-K. Schedules not included with this additional financial data have been omitted because they are not required or applicable or the required information is shown in the Financial Statements or Notes thereto.

Report of Independent Accountants on Financial Statement Schedules

Communications System (Schedule V)

Accumulated Depreciation of Communications System (Schedule VI)

Valuation and Qualifying Accounts (Schedule VIII)

The Financial Statement Schedules are submitted as Exhibits 99(a)-(c) to this Annual Report on Form 10-K.

(3) Exhibits.

Executive compensation plans and arrangements required to be filed, and which have been filed, with the Commission pursuant to Item 14(c) of this Annual Report on Form 10-K are listed in this Annual Report on Form 10-K as Exhibits 10(a)-(i).

Exhibit No. Description

- 3 (a) Restated Certificate of Incorporation of MCI Communications Corporation filed on March 28, 1995.
 - (b) By-laws of registrant, as amended. (Incorporated by reference to Exhibit 3(ii) to registrant's Form S-3, Reg. No. 33-57155.)
- Indenture, dated as of October 15, 1989, between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(c) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)

- (b) Indenture dated as of October 15, 1989 between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(d) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (c) Indenture dated as of October 15, 1989 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4(e) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (d) Indenture dated as of February 17, 1995 between registrant and Citibank, N.A.
- (e) Form of Senior Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(f) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
- (f) Form of Senior Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
- (g) Form of Subordinated Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (h) Form of Subordinated Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(i) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (i) Form of 7-5/8% Senior Note due November 7, 1996. (Incorporated by reference to Exhibit 1(c) to registrant's Current Report on Form 8-K dated November 6, 1991.)
- (j) Form of 7-1/2% Senior Note due August 20, 2004. (Incorporated by reference to Exhibit 4 of registrant's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1992.)
- (k) Form of 7-1/8% Senior Note due January 20, 2000. (Incorporated by reference to Exhibit 1(b) of registrant's Current Report on Form 8-K dated January 19, 1993.)

- (1) Form of 8-1/4% Senior Debenture due January 20, 2023. (Incorporated by reference to Exhibit 1(c) of registrant's Current Report on Form 8-K dated January 19, 1993.)
- (m) Form of 7-3/4% Senior Debenture due March 15, 2024. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 12, 1993.)
- (n) Form of 6-1/4% Senior Note due March 23, 1999. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (o) Form of 7-3/4% Senior Debenture due March 23, 2025. (Incorporated by reference to Exhibit 4(b) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (p) Form of Senior Floating Rate Note due March 16, 1999. (Incorporated by reference to Exhibit 4(c) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (q) Rights Agreement dated as of September 30, 1994 between the registrant and Mellon Bank, N.A. (Incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K dated October 4, 1994.)
- 10 (a) 1979 Stock Option Plan of registrant, as amended and restated. (Incorporated by reference to Exhibit 10(a) to registrant's Annual Report on Form 10-K for the year ended December 31, 1988.)
 - (b) Supplemental Retirement Plan for Employees of MCI Communications Corporation and Subsidiaries, as amended. (Incorporated by reference to Exhibit 10(b) to registrant's Annual Report on Form 10-K for the year ended December 31, 1993.)
 - (c) Description of Executive Life Insurance Plan for MCI Communications Corporation and Subsidiaries. (Incorporated by reference to "Remuneration of Officers" in registrant's Proxy Statement for its 1992 Annual Meeting of Stockholders.)
 - (d) MCI Communications Corporation Executive Incentive Compensation Plan. (Incorporated by reference to Exhibit 10(d) to registrant's Annual Report on Form 10-K for the year ended December 31, 1988.)

- (e) MCI Communications Corporation Executive Incentive Compensation Plan.
- (f) Form of Director Indemnification Agreement. (Incorporated by reference to Appendix B to registrant's Proxy Statement for its 1987 Annual Meeting of Stockholders.)
- (g) 1988 Directors' Stock Option Plan of registrant.

 (Incorporated by reference to Exhibit D to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
- (h) Stock Option Plan of registrant. (Incorporated by reference to Exhibit C to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
- (i) Board of Directors Deferred Compensation Plan of Registrant.
- (j) \$2,000,000,000 Revolving Credit Agreement dated as of July 8, 1994 among MCI Communications Corporation, Bank of America National Trust and Savings Association and the several financial institutions parties thereto. (Incorporated by reference to Exhibit 10 (a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.)
- (k) Amended and Restated Investment Agreement dated as of January 31, 1994 between MCI Communications Corporation and British Telecommunications plc. (Incorporated by reference to Appendix I of registrant's Notice of Special Meeting of Stockholders and Proxy Statement dated February 4, 1994.)
- (1) Modified Joint Venture Agreement dated as of July 1, 1994 between MCI Communications Corporation and British Telecommunications plc and MCI Ventures Corporation and Moorgate (Twelve) Limited and Concert Communications Company.
- 11 Computation of Earnings per Common Share.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- Specified portions (pages 4 through 25) of the registrant's Annual Report to Stockholders for the year ended December 31, 1994.

- 21 Significant Subsidiaries of MCI Communications Corporation.
- 23 Consent of Independent Accountants.
- 27 Financial Data Schedule.
- 99 (a) Communications System (Schedule V).
 - (b) Accumulated Depreciation of Communications System (Schedule VI).
 - (c) Valuation and Qualifying Accounts (Schedule VIII).
 - (d) Capitalization Schedule.
- (b) Reports on Form 8-K.

The registrant filed a Current Report on Form 8-K dated October 4, 1994 to report in Item 5 the adoption of a stockholder rights plan by the registrant and to file as an Exhibit under Item 7 such rights plan.

(c) Exhibits.

See Item 14(a)(3) of this Annual Report on Form 10-K.

(d) Financial Statement Schedules.

See Items 14(a)(2) and 14(a)(3) of this Annual Report on Form 10-K.

Report of Independent Accountants on Financial Statement Schedules

To the Board of Directors MCI Communications Corporation

Our audits of the consolidated financial statements referred to in our report dated January 25, 1995 appearing on page 25 of MCI Communications Corporation's Annual Report to Stockholders for the year ended December 31, 1994 (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedules listed in Item 14(a)(2) of this Annual Report on Form 10-K. In our opinion, these Financial Statement Schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/PRICE WATERHOUSE LLP
PRICE WATERHOUSE LLP

Washington, D.C. January 25, 1995

SIGNATURES

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

MCI COMMUNICATIONS CORPORATION

Dated: March 31, 1995

Bert C. Roberts, Jr.

Bert C. Roberts, Jr.

Bert C. Roberts, Jr.

Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on March 31, 1995 on behalf of the registrant and in the capacities indicated.

Signature Title

Bert C. Roberts, Jr.

Principal Executive Officer,
Director

Douglas L. Maine

Douglas L. Maine Principal Financial Officer

Clifford L. Alexander, Jr.
Director

Clifford L. Alexander, Jr.

Judith Areen
----- Director

Michael H. Bader
------ Director
Michael H. Bader

Judith Areen

Michael Hepher	Director
Michael Hepher	DITECTOI
Pichard M. Jones	
Richard M. Jones	Director
Richard M. Jones	
Gordon S. Macklin	D :
Gordon S. Macklin	Director
Alfred Mockett	Director
Alfred Mockett	
Richard B. Sayford	
Richard B. Sayford	Director
Gerald H. Taylor	Director
Gerald H. Taylor	
Judith Whittaker	
Judith Whittaker	Director
John R. Worthington	Director
John R. Worthington	2110001

Exhibit Index

Exhibit No.	Description
3 (a)	Restated Certificate of Incorporation of MCI Communications Corporation filed on March 28, 1995.
(b)	By-laws of registrant, as amended. (Incorporated by reference to Exhibit 3(ii) to registrant's Form S-3, Reg. No. 33-57155.)
4 (a)	Indenture, dated as of October 15, 1989, between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(c) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(b)	Indenture dated as of October 15, 1989 between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(d) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(c)	Indenture dated as of October 15, 1989 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4(e) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
(b)	Indenture dated as of February 17, 1995 between Registrant and Citibank, N.A.
(e)	Form of Senior Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(f) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
(f)	Form of Senior Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
(g)	Form of Subordinated Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)

- (h) Form of Subordinated Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(i). to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (i) Form of 7-5/8% Senior Note due November 7, 1996. (Incorporated by reference to Exhibit 1(c) to registrant's Current Report on Form 8-K dated November 6, 1991.)
- (j) Form of 7-1/2% Senior Note due August 20, 2004. (Incorporated by reference to Exhibit 4 of registrant's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1992.)
- (k) Form of 7-1/8% Senior Note due January 20, 2000. (Incorporated by reference to Exhibit 1(b) of registrant's Current Report on Form 8-K dated January 19, 1993.)
- (1) Form of 8-1/4% Senior Debenture due January 20, 2023. (Incorporated by reference to Exhibit 1(c) of registrant's Current Report on Form 8-K dated January 19, 1993.)
- (m) Form of 7-3/4% Senior Debenture due March 15, 2024. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 12, 1993.)
- (n) Form of 6-1/4% Senior Note due March 23, 1999. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (o) Form of 7-3/4% Senior Debenture due March 23, 2025. (Incorporated by reference to Exhibit 4(b) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (p) Form of Senior Floating Rate Note due March 16, 1999. (Incorporated by reference to Exhibit 4(c) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (q) Rights Agreement dated as of September 30, 1994 between the registrant and Mellon Bank, N.A. (Incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K dated October 4, 1994.)

- 10 (a) 1979 Stock Option Plan of registrant, as amended and restated. (Incorporated by reference to Exhibit 10(a) to registrant's Annual Report on Form 10-K for the year ended December 31, 1988.)
 - (b) Supplemental Retirement Plan for Employees of MCI Communications Corporation and subsidiaries, as amended. (Incorporated by reference to Exhibit 10(b) to registrant's Annual Report on Form 10-K for the year ended December 31, 1993.)
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 (Incorporated by reference to Exhibit D to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
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 - (j) \$2,000,000 Revolving Credit Agreement dated as of July 8, 1994 among MCI Communications Corporation, Bank of America National Trust and Savings Association and the several financial institutions parties thereto. (Incorporated by reference to Exhibit 10(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.)

- (k) Amended and Restated Investment Agreement dated as of January 31, 1994 between MCI Communications Corporation and British Telecommunications plc. (Incorporated by reference to Appendix I of registrant's Notice of Special Meeting of Stockholders and Proxy Statement dated February 4, 1994.)
- (1) Modified Joint Venture Agreement dated as of July 1, 1994 between MCI Communications Corporation and British Telecommunications plc and MCI Ventures Corporation and Moorgate (Twelve) Limited and Concert Communications Company.
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- 12 Computation of Ratio of Earnings to Fixed Charges.
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- 27 Financial Data Schedule.
- 99 (a) Communications System (Schedule V).
 - (b) Accumulated Depreciation of Communications System (Schedule VI).
 - (c) Valuation and Qualifying Accounts (Schedule VIII).
 - (d) Capitalization Schedule.

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES COMPUTATION OF EARNINGS PER COMMON SHARE (In millions, except per common share amounts)

FOR THE YEAR ENDED DECEMBER 31, 1994

	PRIMARY	ASSUMING FULL DILUTIC
Net income	\$795 (1)	\$795 (1)
Earnings applicable to common stockholders	\$794 ====	\$79 4
Adjustment of shares outstanding: Weighted average shares of common stock outstanding	597	597
equivalents	41	41
for treasury(a)	(34) 	(34)
Adjusted shares of common stock and common stock equivalents for computation	604 ====	604 ====
Earnings per common share	\$1.32 ====	\$1.32 ====

⁽a) At an average market price of \$23.58 for primary and fully diluted at the December 31, 1994 market price of \$18.38 was less than the average market price of \$23.58.



MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES COMPUTATION OF EARNINGS PER COMMON SHARE (In millions, except per common share amounts)

FOR THE YEAR ENDED DECEMBER 31, 1993

	PRIMARY	ASSUMING FULL DILUTI(
<pre>Income before extraordinary item Loss on early debt retirements, less applicable income tax benefit of</pre>	\$ 627	\$ 627
\$26 million	45	45
Net income Dividends on preferred stock	582 (1)	582 (1)
Earnings applicable to common	mo 1	
stockholders	581	581
Add back: Convertible preferred stock dividends	1	1
Earnings as adjusted for purposes of computing earnings per share	\$ 582	\$ 582
Adjustment of shares outstanding: Weighted average shares of common stock	====	====
outstanding (b)	524 27	524 27
equivalentsShares of common stock assumed repurchased	51	51
for treasury(c)	(40)	(35)
Adjusted shares of common stock and common stock equivalents for computation	562	567
Earnings per common and common equivalent shares:		====
Income before extraordinary item Loss on early debt retirements	\$1.12 (.08)	\$1.11 (.08)
	\$1.04 =====	\$1.03 ====

⁽b) Amounts have been retroactively restated to reflect a two-for-one stock spli effected in the form of a 100% stock dividend declared in the second qu e of 1993.

⁽c) At an average market price of \$25.24 for primary. The December 31, 199 market price of \$28.25 for fully diluted was used as it is higher than th average 1993 market price of \$25.24.

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES COMPUTATION OF EARNINGS PER COMMON SHARE (In millions, except per common share amounts)

FOR THE YEAR ENDED DECEMBER 31, 1992

	PRIMARY	ASSUMING FULL DILUTI(
Net income Dividends on preferred stock	\$609 (20)	\$609 (20)
Earnings applicable to common stockholders	\$589 ====	\$589 ====
Adjustment of shares outstanding: Weighted average shares of common stock outstanding(b)	524	524
equivalentsShares of common stock assumed repurchased	40	40
for treasury(d)	(32)	(28)
Adjusted shares of common stock and common stock equivalents for computation	532 ===	536 ====
Earnings per common share	\$1.11	\$1.10 ===#=

⁽d) At an average market price of \$16.99 for primary. The December 31, 199 market price of \$19.81 for fully diluted was used as it is higher than th average 1992 market price of \$16.99.

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges (In millions, except ratio amounts) (unaudited)

	Year Ended December 31,				
	1994	1993	1992	1991	1990
Earnings: Income before income taxes and extraordinary item per income statement	41 280	\$1,045	\$ 963	\$ 848	\$ 440
-	Ϋ1,200	ψ 1, 0±3	φ 9 03	λ 040	Ş 44 0
Add: Fixed charges	315	315	346	334	321
Less: Capitalized interest	78 	61 	52 	58	49
Total earnings	\$1,517	\$1,299 =====	\$1,257 =====	\$1,124	\$ 712
Fixed Charges: Fixed charges on indebtedness, including amortization of debt discount and premium	\$ 231	\$ 239	\$ 270	\$ 270	\$ 262
Interest portion of operating lease rentals (a)	84	76	76	64	59
- 2 (,					
Total fixed charges	\$ 315 =====	\$ 315	\$ 346 =====	\$ 334	\$ 321 =====
Ratio of earnings to fixed charges	4.82	4.12 =====	3.63 =====	3.37	2.22

⁽a) The interest portion of operating lease rentals is calculated as one third of rent expense which represents a reasonable approximation of the interest factor.

Significant Subsidiaries of MCI Communications Corporation at December 31, 1994

Subsidiary	State of Incorporation
MCI International, Inc.	Delaware
MCI International Telecommunications Co	rporation Delaware
MCI Telecommunications Corporation	Delaware
Telecom*USA, Inc.	Delaware

Exhibit 23 (1 of 1)

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-8 (Nos. 33-21740, 33-23275, 33-29547, 33-29549, 33-29550, 33-35339, 33-49304, 33-49403, 33-52133 and 33-58071) and Form S-3 (Nos. 33-48913, 33-49387 and 33-57155) of MCI Communications Corporation of our report dated January 25, 1995, which appears on page 25 of the company's Annual Report to Stockholders, which is incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1994. We also consent to the incorporation by reference of our report on the Financial Statement Schedules, which appears on page 22 of this Annual Report on Form 10-K.

/s/ PRICE WATERHOUSE LLP
PRICE WATERHOUSE LLP

Washington, D.C. March 31, 1995

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This schedule contains summary financial information extracted
from the balance sheet of MCI Communications Corporation and
Subsidiaries at December 31, 1994 and the income statement for
the year ended December 31, 1994 and is qualified in its entirety
by reference to such financial statements.
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MCI COMMUNICATIONS CORPORATION AND SUBSIDIARES ACCUMULATED DEPRECIATION OF COMMUNICATIONS SYSTEM (IN MILLIONS)

	(11	,			
Column A	Column B	Column C	Column D	Column E	Column F
	Balance at beginning of period		Retirements or sales		
For the year ended December 31, 1994: Communications system in service Furniture, fixtures and office equipme Other property and equipment	ent 850	\$ 886 248 26	\$ (834) (219) (41)	\$ (8) (6) 0	\$3,241 873 235
Total		\$1,160		\$ (14)	\$4,349
For the year ended December 31, 1993: Communications system in service Furniture, fixtures and office equipment Other property and equipment	ent 769 242	\$ 688 213 51	\$ (605) (99) (38)	\$ (26) (33) (5)	\$3,197 850 250
Total	\$4,151	\$ 952 =====	\$ (742) ======	\$ (64)	\$4,297
r the year ended December 31, 1992: communications system in service Furniture, fixtures and office equipme Other property and equipment	ent 618	\$ 599 193 51	\$ (590) - (59) - (18)	\$ (39) 17 10	\$3,140 769 242
Total	\$3,987	\$ 843 =====	\$ (667) ======	\$ (12) === ==	\$4,151 =====

MCI COMMUNICATIONS CORPORATION AND SUBSIDIARIES CAPITALIZATION SCHEDULE (In millions)

Set forth below is the capitalization of the company as of December 31, 1994:

Secured debt: Capital lease obligations	\$ 596 36
Total secured debt	632
Unsecured debt: Senior Notes Senior Debentures, net Commerical Paper and bank credit facility borrowings Other unsecured debt	1,501 884 - 110
Total unsecured debt	2,495
Total debt	3,127
Stockholders' equity: Class A common stock, \$.10 par value, authorized 500 million shares and outstanding 136 million shares. Common stock, \$.10 par value, authorized 2 billion shares, issued 592 million shares. Additional paid in capital	14 60 6,227 3,548 (845)
Total stockholders' equity	9,004
Total capitalization	\$12,131

See Note 6 of Notes to Consolidated Financial Statements on page 19 of the company's Annual Report to Stockholders, which is included in Exhibit 13 to this Annual Report on Form 10-K for information concerning the company's capital lease obligations, which are obligations of subsidiaries of the company that are guaranteed by the company. Interest rates on capital lease obligations, on a weighted average basis, approximated 8.7% per annum at December 31, 1994.

For additional information concerning the company's long-term debt, see Note 5 of Notes to Consolidated Financial Statements on pages 17 through 18 of the company's Annual Report to Stockholders, whichis included in Exhibit 13 to this Annual Report on Form 10-K.

March 29, 1996

VIA ELECTRONIC SUBMISSION

Securities and Exchange Commission 450 Fifth Street, N.W. Washington, DC 20549

RE: MCI Communications Corporation Annual Report on Form 10-K for the Year Ended December 31, 1995

To Whom It May Concern:

Pursuant to the filing requirements of the Securities Exchange Act of 1934, MCI Communications Corporation files, via electronic transmission, with the Securities and Exchange Commission its Annual Report (the "Annual Report") on Form 10-K for the year ended December 31, 1995 with all exhibits and financial statement schedules required to be filed therewith. In regard to the financial statements incorporated by reference into the Annual Report and filed as Exhibit 13 to the Annual Report, there has been no change from the preceding year in any accounting principles or practices, or in the method of applying any such principles or practices.

Should you have any questions concerning this filing, please contact me directly at (703) 414-9090.

Regards,

/s/David M. Case

David M. Case Vice President and Controller

UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 1995
OR
[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 0-6457
MCI COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)
Delaware 52-0886267
(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)
1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (202) 872-1600
Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.10 par value per share

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

(Title of class)

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

The aggregate market value of the voting stock of registrant, which includes the Common Stock and Class A Common Stock, held by non-affiliates was \$20,414,632,708 at February 26, 1996, based upon the closing price of the Common Stock on that date.

As of February 26, 1996, registrant had outstanding 555,135,701 shares of Common Stock and 135,998,932 shares of Class A Common Stock.

Documents Incorporated by Reference:

Portions of the Annual Report to Stockholders for the year ended December 31, 1995 - Part II

Portions of the Proxy Statement For the 1996 Annual Meeting of Stockholders -Part III

PART I

Item 1. Business

GENERAL

MCI* provides a broad range of communication services, including long-distance telecommunication services, local and wireless services and information technology services. The provision of long-distance telecommunication services is MCI's core business. Long-distance telecommunication services comprise a wide spectrum of domestic and international voice and data services, including long-distance telephone services, data communication services, teleconferencing services and electronic messaging services. During each of the last three years, more than 90% of MCI's operating revenues and operating income were derived from its core business. MCI is the second largest carrier of long-distance telecommunication services in the United States and the third largest carrier of international long-distance telecommunication services in the world.

The communication services industry is in the process of substantial change, providing significant opportunities and risks to its participants. Evolving and newly developed technology, emerging significant competition in the market for long-distance and local telecommunication services, as well as the increasing desire of customers to have most or all of their various communication needs fulfilled by one supplier, are causing companies, including MCI, which offer services primarily in one part of the communication services market, to offer, either directly or through alliances with others, new services to complement their primary services offerings.

^{*}MCI conducts its business primarily through its subsidiaries. Unless the context otherwise requires, "MCI" or "company" means MCI Communications Corporation, a Delaware corporation organized in August 1968, and its subsidiaries on a consolidated basis. MCI is a registered service mark of MCI Communications Corporation. MCI has its principal executive offices at 1801 Pennsylvania Avenue, N.W., Washington, D.C. 20006 (telephone number (202) 872-1600).

MCI expects that this expansion into new services will continue and is likely to accelerate as a result of the enactment of the Telecommunications Act of 1996 (the "Telecommunications Act") in February 1996. Among other things, the Telecommunications Act (i) opens the local services market, currently dominated by the Regional Bell Operating Companies ("RBOCs"), to competition by requiring the RBOCs to sell separately their local services and network elements, such as interconnection and local loops, to their new competitors; (ii) allows the RBOCs to provide long-distance telecommunication services in their respective regions once they comply with certain requirements that are intended to promote competition for local services; and (iii) allows the RBOCs to long-distance telecommunication services outside respective regions immediately. See "CORE BUSINESS - COMPETITION" and "CORE BUSINESS - TELECOMMUNICATIONS ACT" below for a further discussion of the Telecommunications Act and its anticipated impact on competition.

MCI believes that it is positioning itself to capitalize on the opportunities that should be available in the communication services markets. MCI's investment in ventures and developing markets will enable it to offer a variety of local, wireless, information technology and multimedia services. These services, combined with the continued growth and strength of MCI's core business, should enable MCI to compete effectively in these markets and against the RBOCs and any others that seek to enter the long-distance telecommunication services market. See "VENTURES AND DEVELOPING MARKETS BUSINESS" and "CORE BUSINESS" below.

MCI anticipates that continued substantial capital expenditures will be required to compete effectively in these markets. Competition from the RBOCs and others significantly larger than MCI in financial and other resources will be intense. Due to the rapidly changing nature of these markets and the other factors summarized above, it is not possible to predict the level of MCI's future success, but the company believes that it will compete effectively in providing its services.

As of December 31, 1995, MCI had approximately 50,000 full-time employees.

CORE BUSINESS

Services

MCI provides a wide range of long-distance telecommunication services, including: basic long-distance telephone service; voice and data services over software-defined virtual private networks; private line services; collect calling, operator assistance and calling card services, including prepaid calling cards; toll free or 800 services; 900 services; switched and dedicated Internet access services; and Internet backbone services. The company offers these services individually and in combinations. Through combined offerings, MCI is able to provide customers with benefits such as single billing, unified services for multi-location companies and customized calling plans.

MCI markets domestic and international voice and data communication services primarily through its long-distance telecommunication subsidiary, MCI Telecommunications Corporation ("MCIT"). Domestic and international long-distance telecommunication, domestic data communication and electronic messaging services are marketed to business, government and residential customers by MCIT's sales organization located throughout the United States. International data communication and electronic messaging services are marketed through MCI International, Inc., a wholly-owned subsidiary of MCI. To a lesser extent, MCI also markets its voice and data communication services domestically and internationally through arrangements with third parties.

System

Domestic long-distance services are provided primarily over MCI's own coast-to-coast optical fiber and terrestrial digital microwave communication system and, to a lesser extent, over transmission facilities leased from other common carriers, utilizing MCI's digital switches. International communication services are provided by submarine cable systems in which MCI holds investment positions, satellites and facilities of other domestic and foreign carriers.

MCI continues to expand its digital transmission and switching facilities and capabilities to meet the requirements of its customers for additional and enhanced domestic and international services, to add redundancy to its network and to enhance network intelligence. This expansion includes the continued deployment in

its network of Synchronous Optical Network ("SONET") and Asynchronous Transfer Mode ("ATM") technologies.

SONET technology, which is currently deployed throughout MCI's domestic network, substantially increases the speed at which data is carried on MCI's network, thereby allowing MCI to provide high-speed multimedia applications and information services throughout its domestic network. In addition, it allows MCI to install customer circuits faster and improves monitoring of the network by anticipating certain problems before they occur. Further, when deployed in a ring design, SONET allows MCI to provide its customers with millisecond restoration of traffic in the event of a network outage. MCI has installed SONET rings in a number of major cities in the U.S. and on all new international gateways. Construction of additional SONET rings are planned for 1996.

ATM switching technology facilitates the provision of a wide range of data communication services. This technology increases MCI's network switching capabilities, permitting MCI's customers to transmit simultaneously voice, data and video communications over the same line. ATM is currently offered commercially on a substantial portion of MCI's domestic network. MCI plans to have ATM available throughout its domestic network by the end of 1996.

These network initiatives and continued expansion of the network require substantial capital expenditures. Total capital expenditures were approximately \$2.9 billion in both 1995 and 1994, and \$1.7 billion in 1993. Approximately \$300 million of MCI's capital expenditures for 1995 were for ventures and developing markets business units (See "VENTURES AND DEVELOPING MARKETS BUSINESS - LOCAL SERVICES" below). MCI anticipates that its core business and its ventures and developing markets business units will require total capital expenditures of approximately \$3 billion in 1996.

Local Access

MCI provides customers that utilize large volumes of long-distance telecommunication services with direct access to its long-distance network. Other lower volume customers access MCI's services primarily through local interconnection facilities provided by local exchange carriers ("LECs"), the largest of which are subsidiaries of the RBOCs. To a much lesser extent, local access is provided by MCImetro, Inc. ("MCImetro"), an MCI subsidiary providing local telephone service, and competitive access providers ("CAPs"). The charges for these local interconnection facilities are a significant component of MCI's operating expenses.

Competition in providing local services, interconnection services, should increase dramatically as a result of the requirement of the Telecommunications Act that the RBOCs unbundle local services and provide such services at rates that are cost based and non-discriminatory. MCI expects that this anticipated increase in competition in the local services market will lower access and interconnection costs. MCImetro* expects that the unbundling of services will enable it to offer a wider variety of services and increase its revenues. However, the extent to which MCI and MCImetro will benefit cannot be quantified and will be partially dependent upon the prices at which unbundled services are available and the extent new and existing competitors in the local services market are successful in competing with the LECs. See "CORE BUSINESS - TELECOMMUNICATIONS ACT" below for a Telecommunications Act and "VENTURES AND discussion of the DEVELOPING MARKETS BUSINESS- LOCAL SERVICES" below for discussion of the benefits to MCImetro anticipated from the Telecommunications Act.

Competition

MCI's primary and most vigorous competitor in the domestic and international long-distance telecommunication services market continues to be the long-distance telecommunications unit of AT&T Corp ("AT&T"). AT&T's long-distance telecommunications unit, which is being separated from AT&T's equipment and computer services units, is substantially larger than MCI. In general, MCI's long-distance telecommunication services are priced lower than AT&T's comparable services. Although price is a factor in customer choice, innovation and quality of services, diversity of services, the ability to offer a combination of services, marketing strategy, customer service and other non-price elements are also important competitive factors.

The Telecommunications Act now allows the RBOCs to provide long-distance telecommunication services internationally and domestically in territories outside of their respective local service regions. The RBOCs may also provide long-distance telecommunication services that are incidental to certain other services (e.g., wireless and video services) in their local regions. The authority to provide long-distance telecommunication service originating outside of their respective regions does not include calls that terminate in-region, such as private line services, 800 services or any equivalent service that terminates in-region and allows the called party to choose the interLATA (see definition of LATA below) carrier. The RBOCs are prohibited from providing a full range of long-distance telecommunication services in their local regions until certain important conditions are met (See "CORE BUSINESS - TELECOMMUNICATIONS ACT" below). The RBOCs

own extensive facilities in their regions and have long-standing customer relationships and very substantial capital resources. MCI believes that the RBOCs will eventually become substantial competitors of MCI for long-distance telecommunication services, especially in their local regions.

In addition to AT&T and the RBOCs, MCI competes with Sprint Corporation ("Sprint"), other facilities-based domestic telecommunication common carriers and numerous resellers of long-distance telecommunication services. MCI also competes with LECs that service a local access transport area ("LATA") in the provision of intraLATA long-distance telecommunication services. As the Telecommunications Act is implemented, companies that operate primarily in a communication services market other than the long-distance telecommunication services market, such as the wireless services and multimedia services markets, are likely to compete with MCI in the long-distance telecommunication services market. Some of these companies have substantial financial and other resources.

Regulation

The Telecommunications Act broadened the scope of authority of the Federal Communications Commission ("FCC"). See "CORE BUSINESS - TELECOMMUNICATIONS ACT" below for a summary of portions of the Telecommunications Act. The FCC retains its extensive authority to regulate interstate services and local access facilities and services provided by common carriers, including the right to review the interstate rates charged by common carriers, as well as the authority to implement policies that promote competition for all telecommunication services. The Telecommunications Act gives the FCC, in consultation with the Attorney General of the United States, authority to determine when the RBOCs may provide long-distance telecommunication services in their local regions. The FCC was also given authority to preempt state and local action that is inconsistent with the Telecommunications Act. In addition, as part of its interstate regulatory authority, the FCC currently requires all common carriers subject to its jurisdiction to file tariffs for service offerings, although the Telecommunications Act authorizes the FCC to exempt certain carriers from such regulation if it determines that consumers would benefit from the removal of tariff regulation for some or all of their services. The FCC recently instituted a proceeding that contemplates mandatory detariffing by all non-dominant carriers of their domestic services, but left open the possibility of either continued tariffing or permissive (i.e. voluntary) detariffing.

Under the Telecommunications Act, the states retain their authority to impose requirements necessary to preserve and advance

universal telecommunication service, to protect the public safety and welfare, to ensure continued quality of telecommunication services and to safeguard the rights of consumers, subject to FCC authority to preempt state and local action that violates or is inconsistent with the Telecommunications Act. In addition, to the extent MCI provides intrastate long-distance telecommunication services, it is subject to extensive regulation by state regulatory commissions.

Rates of international communication carriers for traffic from the United States to foreign countries are regulated by the FCC. Revenues from traffic between the foreign country and the United States (with the exception of leased channel services) are generally collected by the originating carrier and shared with the terminating carrier through agreements that are subject to the approval of the FCC and the appropriate overseas agency. In addition to regulation of rates and agreements, the FCC has jurisdiction over international communication facilities located in the United States. The provision of long-distance telecommunication services to a foreign country is subject to the approval of the FCC and the appropriate foreign governmental agencies.

Telecommunications Act

The Telecommunications Act, among other things, allows the RBOCs to offer long-distance telecommunication services outside of their respective regions, and allows the RBOCs to offer such services within their region on a state-by-state basis upon the determination by the FCC that certain criteria have been met. The primary criteria that must be satisfied before an RBOC may be granted authority to offer long-distance telecommunication services in a state within its region are (i) satisfying the requirements of the competitive checklist (the "Competitive Checklist") set forth in the Telecommunications Act; and (ii) the presence of one or more facilities-based competitors in the local services market in the state where authority to offer long-distance telecommunication services is requested.

The Competitive Checklist includes the requirements that:(i) interconnection be at any technically feasible point and of equal quality as that provided to the RBOC or to other carriers; (ii) access to the RBOC's facilities and equipment, and their features, functions and capabilities, be provided on an unbundled, non-discriminatory basis; (iii) any telecommunication service the RBOC provides at retail to subscribers who are not carriers be offered to carriers for resale, at wholesale rates; (iv) access to poles, ducts, conduits and rights-of-way owned or controlled by the RBOC be provided on a non-discriminatory basis; (v) local loop

transmission from the central office to the customer's premises be provided unbundled from local switching or other services; (vi) local transport be provided from the trunk side of a wireline switch unbundled from switching or other services; (vii) local switching be provided unbundled from transport, local loop transmission or other services; (viii) access be provided on a nondiscriminatory basis to 911 and Enhanced 911 services, directory assistance services and operator call completion services; (ix) white pages directory listings for customers of the other carrier's telephone exchange service be provided; (x) access to telephone numbers for assignment to the other carrier's telephone exchange service customers be provided on a non-discriminatory basis until administration guidelines telecommunications numbering established by the FCC and thereafter be provided in accordance with such guidelines; (xi) access to data bases and associated signaling necessary for call routing and completion be provided on a non-discriminatory basis; (xii) interim number portability be provided through remote call forwarding, direct inward dialing trunks or other comparable arrangements until the FCC supersedes such interim arrangements by issuing its number portability rules; (xiii) access to such services or information as are necessary to allow the requesting carrier to implement local dialing parity be provided on a non-discriminatory basis; and (xiv) reciprocal compensation arrangements be implemented for the origination and termination of telecommunications so as to provide the recovery by each carrier of costs based on a reasonable approximation of the additional costs of terminating calls.

An RBOC can satisfy the requirement that one or more facilities-based competitors be present in the local services market if it has entered into one or more interconnection and access agreements approved by the applicable state regulatory authority in accordance with the Telecommunications Act, subject to the FCC's determination that such a competitor exists and offers its services to both business and residential customers either predominantly or exclusively over its own network facilities. Under these agreements, the RBOC must provide on a non-discriminatory basis access and interconnection services, at rates which are cost based (which may include a reasonable profit), to the RBOC's network facilities to one or more competing providers of telephone exchange service to residential and business customers.

In addition, to provide long-distance services in a state in its region, the RBOC must demonstrate that: (i) the RBOC has entered into approved interconnection agreement(s) in the state which satisfy the requirements of the Competitive Checklist; (ii) the RBOC will provide long-distance telecommunication service in a state in its local region only through a separate subsidiary of the RBOC, and dealings with such subsidiary are at arm's length; and (iii) the RBOC's request to provide long-distance telecommunication

services in a state in its local region is consistent with the public interest, convenience and necessity.

The FCC must consult with the Attorney General of the United States to determine whether to grant the RBOC authority to offer long-distance telecommunication services in a state in its local service region is consistent with the public interest, convenience and necessity, and must give substantial weight to the Attorney General's recommendations. The FCC must also consult with the relevant state regulatory authority to verify the RBOC's compliance with the Competitive Checklist requirements. MCI will vigorously seek to ensure that the Telecommunications Act requirement of meaningful facilities-based competition in the local services market in a state in the RBOC's local service region is fully enforced before the RBOC is allowed to provide long-distance telecommunication services in that state.

Upon the grant of in-region authority, the RBOC is required to provide intraLATA toll dialing parity throughout the applicable state as soon as it exercises such authority. In general, states cannot require such dialing parity until the date that the RBOC is granted in-region interLATA authority or February 8, 1999, whichever is earlier. Importantly, the following categories of states may require such dialing parity sooner: (i) the ten single LATA states, and (ii) the 15 states (of which two are single LATA states) that issued dialing parity orders by December 19, 1995.

The Telecommunications Act also provides that until the date authorized to provide long-distance that RBOC is telecommunication services within a state in the RBOC's local services region or February 8, 1999, whichever is earlier, a carrier, such as MCI, serving more than 5% of the United States' presubscribed access lines may not market within a state resold telephone exchange service obtained from the RBOC jointly with interLATA services offered by that carrier. This restriction would not preclude MCI from combining local services provided by MCImetro or another non-RBOC local service provider over its own facilities with MCI's long-distance telecommunication services. Telecommunications Act also provides that an RBOC is restricted from marketing its local services within any of the states in its region jointly with an affiliate's interLATA services until the RBOC is authorized to offer interLATA services in such state.

VENTURES AND DEVELOPING MARKETS BUSINESS

To meet more of the communications needs of its customers and to take advantage of developing opportunities in the communication services market, MCI has been diversifying the communication services it offers through investments in ventures and developing markets businesses. In 1995, MCI recognized \$365 million of revenues generated by the ventures and developing markets businesses. MCI anticipates investing in 1996 an estimated \$2 billion in existing ventures and developing markets businesses, including the purchase of a high-power direct satellite services license and an additional investment in The News Corporation Limited. See Item 6. Management's Discussion and Analysis and "VENTURES AND DEVELOPING MARKETS BUSINESS - MULTIMEDIA SERVICES" below.

Local Services

MCImetro was organized in 1993 to enter the local services market and compete with the LECs and CAPs, initially by providing special access services and, when permitted by local regulation, all local services. In 1995, MCImetro had revenues of \$108 million, substantially all of which were from sales of services to MCI. Also in 1995, MCImetro had capital expenditures of \$265 million and, through completed construction on local networks and the formation of joint ventures or alliances with CAPs, had full or part ownership in 40 local networks in 25 major cities.

MCImetro provides businesses and governments high quality dedicated access to the MCI network or to the networks of other long-distance telecommunications providers. The access services are provided either on MCImetro's own local city networks or through arrangements with the LECs and CAPs for special access and switched access services. As of December 31, 1995, MCImetro had also been granted authority to offer a full range of local services in 14 states and had applications pending for such services in six other states. As of March 1996, MCImetro had installed 11 Class 5 switches which allow MCImetro to offer local exchange services such as local telephone service, business lines, private branch exchange (PBX) trunks, access services and enhanced services. Although all 11 switches were operational as of March 1996, MCImetro could only offer local exchange services to businesses on eight of the switches located in areas where MCImetro had an approved tariff and agreed interconnection arrangements with the LEC.

If or when MCImetro will be able to offer a full range of local services in competition with the LECs in all states is unknown. Although the Telecommunications Act establishes a timetable for an

RBOC to sell separately its local services and provide them to other carriers on a non-discriminatory basis, prior to receiving in-region authority, it is not known at this time if the timetable will be met. See "CORE BUSINESS - TELECOMMUNICATIONS ACT" above. The pace at which all local services are sold separately, the prices at which MCImetro can purchase such services from the LEC, and the amount of capital MCImetro has to expand its facilities will affect the types of services MCImetro can offer and its ability to compete with the LECs in providing local telecommunications services.

The LECs have very substantial capital and other resources, long standing customer relationships and extensive existing facilities and network rights-of-way and will be MCImetro's primary competitors in the local services market. In addition, it is anticipated that a number of long-distance telecommunication, wireless and cable service providers, will enter the local services market in competition with MCImetro. Some of these potential competitors have substantial financial and other resources. MCImetro will also compete in the local services market with a number of CAPs, a few of which have existing local networks and significant financial resources.

To the extent MCImetro and others provide intrastate local services, they are also subject to regulation by state regulatory commissions, which have extensive authority to regulate the provision of local services. MCImetro will be required to file tariffs as a competitive local exchange carrier, which filing requirements may be less restrictive than those imposed on the LECs, which are also subject to regulation by the same commissions.

Wireless Services

In 1995, MCI acquired Nationwide Cellular Service, Inc. ("Nationwide"), a reseller of cellular phone services and, to a lesser extent, cellular phone equipment. The Nationwide acquisition and the execution of resale agreements with facilities based cellular phone service and paging service providers has positioned MCI to become a significant participant in the cellular phone and paging service markets. MCI expects, through the execution of additional resale agreements, to have the capability to offer cellular phone services to approximately 45% of the population of the United States by the end of 1996. MCI markets these services to both business and residential customers through Nationwide's and MCIT's sales organizations. Revenues for the three months ended December 31, 1995 from these services were \$82 million. Revenues are expected to increase in 1996 as MCI increases the number of cities in which it offers cellular phone and paging services and also combines these service offerings with

MCI's core business service offerings to meet its customers' needs. At December 31, 1995, MCI had approximately 347,000 cellular phone service subscribers and 465,000 paging service subscribers.

MCI's primary competitors in the wireless market are AT&T Wireless Services, Airtouch Communications, Inc., 360 Degrees (the former wireless subsidiary of Sprint) and many of the RBOCs, which have facilities based wireless operations. As MCI is not a facilities based wireless operator, its ability to be competitive is dependent on the terms and conditions under which it obtains services and its ability to renew on satisfactory terms its resale agreements to provide cellular phone and paging services. In addition, competition is expected to intensify as the winning bidders in the Personal Communication Services spectrum auctions begin to offer competing services.

As a reseller, MCI is not subject to any tariffing or licensing requirements by the FCC or state regulatory agencies.

Information Technology Services

MCI's information technology ("IT") services primarily consist of IT outsourcing, consulting and system integration services, and call center services. MCI provides a broad range of call center services that include fulfillment, billing, data collection, database management, customer service and telemarketing. IT services revenues for the three months ended December 31, 1995, including SHL Systemhouse Inc. ("SHL") revenue from the date of its acquisition by MCI, were \$126 million.

In November 1995, MCI acquired SHL, one of the world's largest providers of IT outsourcing services to commercial and government enterprises. The acquisition of SHL allows MCI to meet the growing demands of its business customers for IT outsourcing services. These services include the design, development and implementation of IT systems with an emphasis on client/server technologies; the management, operation and maintenance of client IT functions as part of outsourcing arrangements; and the delivery and installation of IT hardware and software for clients' services related to such products and training and education of client users.

MCI serves its IT clients by, (i) working with a client to analyze its IT needs, and, based on this analysis, designing, developing and implementing an integrated client/server IT system; (ii) providing systems operations and management services for a broad range of computing platforms, including mainframe, minicomputer and personal computer, and network environments, such as local-area networks and wide-area networks; and (iii) assessing a client's computing platform and network requirements and then

configuring, delivering, installing and testing the needed hardware and software products to meet such requirements. MCI also offers service for IT products and training and education of client IT users.

Computer Sciences Corporation, Electronic Data Systems Corporation and Integrated Systems Solutions Corp., a wholly-owned subsidiary of International Business Machines Corporation, all of which have substantial financial and other resources. MCI derives a material amount of its IT revenues from a small number of customers. In addition, MCI faces competition in the IT industry not only for contracts, but also for personnel. There is a shortage of skilled employees and a high turnover rate among skilled employees in the client/server portion of the IT business. However, MCI is not dependent on any single employee or group in providing these services.

International Services

MCI continues to develop global alliances to expand the use and reach of its services and to meet the global needs of its customers.

Concert Communications Company ("Concert"), is a business venture between British Telecommunications plc ("BT") and MCI in which MCI owns a 24.9% equity interest. Concert** provides global enhanced and value-added telecommunication services, such as packet data, virtual network, frame relay and managed bandwidth services. MCI is the exclusive distributor of Concert services in North, Central and South America, and BT is the exclusive distributor of Concert services in the rest of the world. Since July 1994, MCI has invested \$145 million in Concert and intends to continue making contributions to Concert over the next several years in order to maintain its proportionate interest. For the year ended December 31, 1995, Concert's distributors had approximately \$300 million in revenue from the sale of Concert's products. As of December 31, 1995, the Concert network had 6,000 communication nodes deployed in over 800 cities in more than 50 countries.

AT&T and Sprint have also formed global alliances that will compete with Concert. AT&T's WorldPartners is an association of member companies formed in 1993 to provide a family of telecommunication services (private line, frame relay and virtual network services) to multinational customers. Members of the association include AT&T, KDD of Japan, Singapore Telecom, Telstra of Australia, Unisource, Telecom New Zealand, Hong Kong Telecom, Unitel of Canada, Korea Telecom and Telefonica of Spain. Sprint, France Telecom ("FT") and Deutsche Telekom ("DT") have formed

Global One, a global partnership which offers an array of international telecommunication services to multinational business customers. As part of the transaction, FT and DT each acquired 10% of Sprint's common stock.

AVANTEL S.A. de C.V. ("AVANTEL") is a business venture between Grupo Financiero Banamex-Accival, Mexico's largest financial group, and MCI, in which MCI owns a 44.5% equity interest. AVANTEL was formed in 1994 to provide competitive domestic and international long-distance telecommunication services in Mexico using MCI's technology. In September 1995, AVANTEL received a license from the Mexican Secretariat of Communications and Transportation to construct and operate a nationwide fiber-optic telecommunications network in Mexico. AVANTEL plans to provide competitive domestic and international long-distance telecommunication services in Mexico when the market opens for competition for business customers in 1996. As of December 31, 1995, MCI had invested in AVANTEL approximately \$250 million, one-half of MCI's total anticipated investment, the remainder of which is expected to be made in 1996.

In Mexico, Telefonos de Mexico ("TelMex"), the monopoly telecommunications provider, will be AVANTEL's primary competitor. TelMex's financial and other resources are substantially greater than AVANTEL's, and it has an extensive existing customer base.

In 1992, MCI entered into a strategic alliance with Stentor, an alliance of major Canadian telephone companies, to develop a fully integrated intelligent network linking the United States and Canada. In 1995, Stentor entered into an agreement with Concert to become the exclusive distributor of Concert services in Canada. The Stentor alliance and the AVANTEL joint venture will facilitate the development of a fully integrated, seamless North American network capable of providing services with identical features to customers throughout the United States, Canada and Mexico.

In addition, MCI owns minority equity interests in telecommunication service providers in New Zealand and Belize and is exploring opportunities in Latin America and other areas of the world.

Multimedia Services

In August 1995, MCI invested \$1 billion in The News Corporation Limited ("News Corp."). In addition, MCI received a five year option to invest in News Corp. from time to time up to an additional \$1 billion in the aggregate. Under certain circumstances, News Corp. has the right from time to time to cause MCI to exercise this option and make additional investments up to \$1 billion in the aggregate. MCI, at the request of News Corp.,

will partially exercise this option and invest \$350 million in News Corp. in the first half of 1996.

In furtherance of the business objectives of this business alliance, MCI anticipates forming ventures with News Corp. and others to compete in various multimedia service markets. MCI and News Corp. are currently discussing the formation of a venture to provide high-powered direct satellite services to homes and offices. High-powered direct satellite service is a point-to-multipoint broadcast service that uses high-powered KU band satellites which are placed in a geosynchronous orbit. High-powered direct satellite service has the capability of delivering a wide range of services, such as subscription television, pay-perview services, such as movies, concerts and sporting events, and digitized content, such as magazines.

The proposed venture would offer information and entertainment services to businesses and consumers. The venture would utilize satellites which will operate under a license to be awarded to MCI as a result of a federal spectrum auction in January 1996. MCI submitted a winning bid of \$682 million for the right to use 28 of 32 channels in the satellite slot located at 110 degrees west longitude, which provides coverage to all fifty states and Puerto Rico. MCI has entered into an agreement to purchase two satellites, one of which is scheduled for launch in late 1997. MCI anticipates the proposed venture will provide high-powered direct services by late 1997, assuming the first of its satellites is successfully launched according to plan.

Competition in the high-powered satellite service market will arise from three sources: existing and future high-powered direct satellite service providers with spectrum at locations other than 110-west longitude; medium-power satellite video service providers; and cable companies that operate land based facilities. These competitors have substantial financial resources, existing customer bases and experienced marketing organizations. In addition, it is anticipated that certain long-distance telecommunication service providers and the RBOCS may seek to form alliances with high-powered direct satellite service or other multimedia service providers and compete with MCI in this market. AT&T announced in January 1996 it is acquiring an equity interest in an existing high-powered direct satellite service provider and will begin offering the services and equipment of such provider to AT&T's customers by mid-summer 1996.

Except for routine FCC licensing of earth station (uplink) facilities to be used in conjunction with the satellites and certain restrictions on use of the spectrum, upon successful completion of the FCC's current review of MCI's post-auction satellite system application, neither MCI nor the proposed venture

will be subject to extensive regulation by the FCC. At the state level, the venture will be subject to standard zoning requirements for the placement of uplink facilities. Zoning restrictions by localities on the placement of receive dishes is largely preempted by federal law.

* MCImetro is a service mark of MCI.

** Concert is a mark of Concert Communications Company and is used under license.

Item 2. Properties.

MCI leases, under long-term leases, portions of railroad, utility and other rights-of-way for its fiber-optic transmission system. MCI also has numerous tower sites, generally in rural areas, to serve as repeater stations in its domestic microwave transmission system. Most of these sites are leased, although MCI does own many of those which are at an intersection of two or more routes of MCI's transmission system. Generally, MCI owns the buildings that serve as switch facilities for the transmission system. In metropolitan areas, MCI leases facilities to serve as operations facilities for its transmission systems.

MCI also leases, under long-term leases, office space to serve as sales office and/or administrative facilities. Some of these facilities are located jointly with operations facilities. In addition, MCI owns its headquarters building in Washington, D.C. and two buildings in a suburb of Washington, D.C., as well as administrative facilities in Cary, North Carolina; Cedar Rapids, Iowa; Colorado Springs, Colorado; Piscataway, New Jersey; and Richardson, Texas.

MCImetro leases under long-term leases or has conduit rights-ofway for the placement of its fiber optic transmission system. MCImetro leases under long-term leases the buildings that house its Class 5 switches and other network and administrative office space. MCImetro also sub-leases administrative and sales office, and operation facility space from MCI.

Item 3. Legal Proceedings.

Information regarding contingencies and legal proceedings is included in Note 14 of the Notes to Consolidated Financial Statements on page 27 of the company's Annual Report to

Stockholders for the year ended December 31, 1995, which has been filed as Exhibit 13 to this Annual Report on Form 10-K. Such information is incorporated herein by reference.

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

None.

Item 10. Executive Officers of the Registrant.*

The executive officers of MCI, including its subsidiaries, are elected annually and serve at the pleasure of the respective board of directors. They are:

Name	Age*	Position**			
Bert C. Roberts, Jr.	53	Chairman of the Board, Chief Executive Officer, Director			
Gerald H. Taylor	54	President and Chief Operating Officer, Director			
Timothy F. Price	42	President and Chief Operating Officer, MCI Telecommunications Corporation			
Seth D. Blumenfeld	55	President, MCI International, Inc.			
John W. Gerdelman	43	Executive Vice President, MCI Telecommunications Corporation			
Douglas L. Maine	47	Executive Vice President and Chief Financial Officer			
Michael J. Rowny	45	Executive Vice President			
Michael H. Salsbury	46	Executive Vice President and General Counsel			
James M. Schneider	43	Senior Vice President			

^{*}As of March 1, 1996.

^{**}Unless otherwise indicated, the position is with MCI Communications Corporation.

Mr. Roberts has been Chairman of the Board of MCI since June 1992 and Chief Executive Officer of MCI since December 1991. Prior thereto he was President and Chief Operating Officer of MCI from October 1985 to June 1992 and President of MCIT from May 1983 to June 1992. Mr. Roberts has been a director of MCI since 1985.

Mr. Taylor has been President and Chief Operating Officer of MCI since July 1994 and Vice Chairman of MCIT since July 1995. He was President and Chief Operating Officer of MCIT from April 1994 to July 1995. He was an Executive Vice President and Group Executive of MCIT from September 1993 to April 1994. He was an Executive Vice President of MCIT, serving as President, Consumer Markets, from November 1990 to September 1993. Mr. Taylor has been a director of MCI since September 1994.

Mr. Price has been President and Chief Operating Officer of MCIT since July 1995. He was an Executive Vice President and Group President of MCIT, serving as Group President, Communication Services, from December 1994 to July 1995. He was an Executive Vice President of MCIT, serving as President, Business Markets, from June 1993 to December 1994. He was a Senior Vice President of MCIT from November 1990 to June 1993, serving as President, Business Services, from July 1992 to June 1993 and as Senior Vice President, Consumer Markets, from November 1990 to July 1992.

Mr. Blumenfeld has been President of MCI International, Inc., since September 1984.

Mr. Gerdelman has been an Executive Vice President of MCIT, serving as President, networkMCI Services, since October 1994. He was a Senior Vice President of MCIT from August 1992 to October 1994. From July 1991 to August 1992, he was President and Chief Executive Officer of MCI Services Marketing, Inc., a company that provided telemarketing services to, and in which a 51% equity interest was held by, MCIT. For more than two years prior thereto, he was Executive Vice President and Chief Operating Officer of Pioneer Teletechnologies, Inc., a company that provided telemarketing services to, and in which a 25% equity interest was owned by, MCIT. Mr. Gerdelman is also a director of General Communication, Inc. ("GCI"), a telecommunications provider in Alaska, of which MCIT owns approximately 33% of the outstanding shares of Class A Common Stock and approximately 31% of the outstanding shares of Class B Common Stock.

Mr. Maine has been an Executive Vice President of MCI since April 1994. He was a Senior Vice President of MCI from September 1988 to April 1994. Mr. Maine has been Chief Financial Officer of MCI since February 1992. From November 1990 to February 1992, he was a Senior Vice President of MCIT, serving as President of the Southern Division.

Mr. Rowny has been an Executive Vice President of MCI since April 1995 and an Executive Vice President of MCIT since June 1994, serving as Executive Vice President, Ventures and Alliances. He was President of MJR Enterprises, a consulting company, from April 1994 to June 1994; Executive Vice President and Chief Financial Officer and a director of ICF Kaiser International, Inc., an environmental and engineering services company, from April 1992 to April 1994; and Chairman and Chief Executive Officer of Ransohoff Company, a manufacturer of environmental and industrial equipment, from November 1989 to April 1992.

Mr. Salsbury has been Executive Vice President and General Counsel of MCI since November 1995. He was a partner in the law firm of Jenner & Block for more than five years prior thereto.

Mr. Schneider has been a Senior Vice President of MCI, serving as Senior Vice President of Corporate Finance, since July 1995. He was a Senior Vice President of MCIT, serving as Senior Vice President of Finance for Consumer Markets, from November 1993 to July 1995 and was a Senior Vice President of MCI, serving as Controller, from September 1993 to November 1993. He was a partner in the national accounting firm of Price Waterhouse LLP for more than five years prior thereto. Mr. Schneider is also a director of GCI.

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PART II

Item 5. Market for Registrant's Common Equity and Related
Stockholder Matters.

MCI Common Stock is traded on the NASDAQ National Market. The tables below set forth the high and low sales prices of the Common Stock as reported for the periods indicated.

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		HIGH]	LOW	
2nd 3rd	Quarter Quarter Quarter Quarter	23 27	1/4 1/8 1/8 1/2	19 20	3/8 7/64 7/8 3/4	

1994

		HIGH		LOW	
1st	Quarter	\$29		\$22	5/8
2nd	Quarter	24	15/16	21	3/8
3rd	Quarter	25	7/8	21	1/2
4th	Quarter	25	1/2	17	1/4

MCI paid cash dividends of \$.025 per share of Common Stock in July and December in each of 1994 and 1995 and an equivalent cash dividend on the shares of Series D Preferred Stock and Class A Common Stock outstanding at the applicable record date.

At February 26, 1996, there were 50,049 holders of record of MCI's Common Stock and 1 holder of record of MCI's Class A Common Stock.

Items 6 through 8.

The information required by these items is included in pages 4 through 29 of the company's Annual Report to Stockholders for the year ended December 31, 1995. The referenced pages of the company's Annual Report to Stockholders have been filed as Exhibit 13 to this Annual Report on Form 10-K. Such information is incorporated herein by reference.

Item 9. Change in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers.

Information with respect to executive officers of MCI is set forth in Part I of this Annual Report on Form 10-K.

Information with respect to directors of MCI is incorporated herein by reference to the information under the captions "Election of Directors" and "Compliance with Section 16(a) of the Exchange Act" in MCI's Proxy Statement for its 1996 Annual Meeting of Stockholders (the "1996 Proxy Statement").

Item 11. Executive Compensation.

Information with respect to executive compensation is incorporated herein by reference to the information under the captions "Board of Directors' Committees, Meetings and Fees", "Remuneration of Executive Officers", "Pension Plans" and "Compensation Committee Interlocks and Insider Participation" in the 1996 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

Information with respect to security ownership is incorporated herein by reference to the information under the captions "Election of Directors" and "Security Ownership of Management and Certain Beneficial Owners" in the 1996 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

Information with respect to certain relationships and related transactions is incorporated herein by reference to the information under the caption "Certain Relationships and Related Transactions" in the 1996 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

- (a) Documents filed as a part of this report.
 - (1) Financial Statements.

Report of Management

Report of Independent Accountants

Income Statements for the years ended December 31, 1995, 1994 and 1993

Balance Sheets at December 31, 1995 and 1994

Statements of Cash Flows for the years ended December 31, 1995, 1994 and 1993

Statements of Stockholders' Equity for the years ended December 31, 1995, 1994 and 1993

Notes to Consolidated Financial Statements

The Financial Statements and Notes thereto are incorporated herein by reference to pages 4 through 29 of the company's Annual Report to Stockholders for the year ended December 31, 1995. See Part II.

(2) Financial Statement Schedule.

The following additional financial data should be read in conjunction with the Financial Statements and Notes thereto which are included in Exhibit 13 to this Annual Report on Form 10-K. Schedules not included with this additional financial data have been omitted because they are not required or applicable or the required information is shown in the Financial Statements or Notes thereto.

Report of Independent Accountants on Financial Statement Schedule

Valuation and Qualifying Accounts (Schedule II)

The Report of Independent Accountants on Financial Statement Schedule is on page 30 of this Annual Report on Form 10-K.

The Financial Statement Schedule is submitted as Exhibit 99(a) to this Annual Report on Form 10-K.

(3) Exhibits.

Executive compensation plans and arrangements required to be filed, and which have been filed, with the Commission pursuant to Item 14(c) of this Annual Report on Form 10-K are listed in this Annual Report on Form 10-K as Exhibits 10(a)-(1).

Exhibit No. Description

- 3 (a) Restated Certificate of Incorporation of MCI Communications Corporation filed on March 28, 1995. (Incorporated by reference to Exhibit 3 (a) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
 - (b) By-laws of registrant, as amended. (Incorporated by reference to Exhibit 3(ii) to registrant's Form S-3, Req. No. 33-57155.)
- 4 (a) Indenture, dated as of October 15, 1989, between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(c) to registrant's

Registration Statement on Form S-3, Reg. No. 33-31600.)

- (b) Indenture dated as of October 15, 1989 between registrant and Bankers Trust Company. (Incorporated by reference to Exhibit 4(d) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (c) Indenture dated as of October 15, 1989 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4(e) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (d) Indenture dated as of February 17, 1995 between registrant and Citibank, N.A. (Incorporated by reference to Exhibit 4 (d) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (e) Form of Senior Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(f) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
- (f) Form of Senior Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-57155.)
- (g) Form of Subordinated Fixed Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(g) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (h) Form of Subordinated Floating Rate Medium-Term Note. (Incorporated by reference to Exhibit 4(i) to registrant's Registration Statement on Form S-3, Reg. No. 33-31600.)
- (i) Form of 7-5/8% Senior Note due November 7, 1996. (Incorporated by reference to Exhibit 1(c) to registrant's Current Report on Form 8-K dated November 6, 1991.)
- (j) Form of 7-1/2% Senior Note due August 20, 2004. (Incorporated by reference to Exhibit 4 of registrant's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 1992.)

- (k) Form of 7-1/8% Senior Note due January 20, 2000. (Incorporated by reference to Exhibit 1(b) of registrant's Current Report on Form 8-K dated January 19, 1993.)
- (1) Form of 8-1/4% Senior Debenture due January 20, 2023. (Incorporated by reference to Exhibit 1(c) of registrant's Current Report on Form 8-K dated January 19, 1993.)
- (m) Form of 7-3/4% Senior Debenture due March 15, 2024. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 12, 1993.)
- (n) Form of 6-1/4% Senior Note due March 23, 1999. (Incorporated by reference to Exhibit 4(a) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (o) Form of 7-3/4% Senior Debenture due March 23, 2025. (Incorporated by reference to Exhibit 4(b) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (p) Form of Senior Floating Rate Note due March 16, 1999. (Incorporated by reference to Exhibit 4(c) of registrant's Current Report on Form 8-K dated March 15, 1994.)
- (q) Rights Agreement dated as of September 30, 1994 between the registrant and Mellon Bank, N.A. (Incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K dated October 4, 1994.)
- 10 (a) 1979 Stock Option Plan of registrant, as amended and restated. (Incorporated by reference to Exhibit 10(a) to registrant's Annual Report on Form 10-K for the year ended December 31, 1988.)
 - (b) Supplemental Retirement Plan for Employees of MCI Communications Corporation and Subsidiaries, as amended. (Incorporated by reference to Exhibit 10(b) to registrant's Annual Report on Form 10-K for the year ended December 31, 1993.)

- (c) Description of Executive Life Insurance Plan for MCI Communications Corporation and Subsidiaries. (Incorporated by reference to "Remuneration of Officers" in registrant's Proxy Statement for its 1992 Annual Meeting of Stockholders.)
- (d) MCI Communications Corporation Executive Incentive Compensation Plan. (Incorporated by reference to Exhibit 10(e) to registrant's Annual Report on Form 10-K for the year ended December 31, 1994.)
- (e) MCI Communications Corporation Executive Incentive Compensation Plan.
- (f) Form of Director Indemnification Agreement.(Incorporated by reference to Appendix B to registrant's Proxy Statement for its 1987 Annual Meeting of Stockholders.)
- (g) 1988 Directors' Stock Option Plan of registrant.

 (Incorporated by reference to Exhibit D to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
- (h) Stock Option Plan of registrant. (Incorporated by reference to Exhibit C to registrant's Proxy Statement for its 1989 Annual Meeting of Stockholders.)
- (i) Board of Directors Deferred Compensation Plan of Registrant. (Incorporated by reference to Exhibit 10 (e) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (j) The Senior Executive Incentive Compensation Plan of registrant. (Incorporated by reference to Appendix A to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)
- (k) Amendment to the Stock Option Plan of registrant.

 (Incorporated by reference to Appendix B to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)
- (1) Amendment to the 1988 Directors' Stock Option Plan of registrant. (Incorporated by reference to Appendix D to registrant's Proxy Statement for its 1996 Annual Meeting of Stockholders.)

- (m) \$2,000,000,000 Revolving Credit Agreement dated as of July 8, 1994 among MCI Communications Corporation, Bank of America National Trust and Savings Association and the several financial institutions parties thereto. (Incorporated by reference to Exhibit 10 (a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.)
- (n) Amended and Restated Investment Agreement dated as of January 31, 1994 between MCI Communications Corporation and British Telecommunications plc. (Incorporated by reference to Appendix I of registrant's Notice of Special Meeting of Stockholders and Proxy Statement dated February 4, 1994.)
- (o) Modified Joint Venture Agreement dated as of July 1, 1994 between MCI Communications Corporation and British Telecommunications plc and MCI Ventures Corporation and Moorgate (Twelve) Limited and Concert Communications Company. (Incorporated by reference to Exhibit 10 (e) to registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- (p) Warrant Purchase Agreement by and between The News Corporation Limited and MCI Communications Corporation dated as of August 2, 1995.
- (q) Preferred Stock Purchase Agreement by and among MCI, News Triangle Finance, Inc. and News T Investments, Inc. dated as of August 2, 1995.
- 11 Computation of Earnings per Common Share.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- Specified portions (pages 4 through 29) of the registrant's Annual Report to Stockholders for the year ended December 31, 1995.
- 21 Significant Subsidiaries of MCI Communications Corporation.
- 23 Consent of Independent Accountants.
- 27 Financial Data Schedule.
- 99 (a) Valuation and Qualifying Accounts (Schedule II).

- (b) Capitalization Schedule.
- (b) Reports on Form 8-K. None.
- (c) Exhibits.

See Item 14(a)(3) of this Annual Report on Form 10-K.

(d) Financial Statement Schedules.

See Items 14(a)(2) and 14(a)(3) of this Annual Report on Form 10-K.

Report of Independent Accountants on Financial Statement Schedule

To the Board of Directors MCI Communications Corporation

Our audits of the consolidated financial statements referred to in our report dated January 29, 1996 appearing on page 29 of MCI Communications Corporation's Annual Report to Stockholders for the year ended December 31, 1995 (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a)(2) of this Annual Report on Form 10-K. In our opinion, the Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/PRICE WATERHOUSE LLP

PRICE WATERHOUSE LLP

Washington, D.C. January 29, 1996

SIGNATURES

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

MCI COMMUNICATIONS CORPORATION

/s/ Bert C. Roberts, Jr.

Dated: March 29, 1996

By: ------Bert C. Roberts, Jr.
Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on March 29, 1996 on behalf of the registrant and in the capacities indicated.

/s/ Bert C. Roberts, Jr.

Principal Executive Officer,
Director

/s/ Douglas L. Maine

Principal Financial Officer

Principal Financial Officer

Principal Financial Officer

Principal Financial Officer

Principal Accounting Officer

James M. Schneider

/s/ Clifford L. Alexander, Jr.

Clifford L. Alexander, Jr.

Director

/s/ Michael H. Bader
Director
Michael H. Bader

	Director
Sir Peter L. Bonfield	
/s/ Richard M. Jones	Director
Richard M. Jones	<i>3</i> 123333
/s/ Gordon S. Macklin	Director
Gordon S. Macklin	DITCOLOR
	71
Alfred T. Mockett	Director
/s/ K. Rupert Murdoch	Di
K. Rupert Murdoch	Director
/s/ Dr. Alan W. Rudge	5 4
Dr. Alan W. Rudge	Director
/s/ Richard B. Sayford	_,
Richard B. Sayford	Director
/s/ Gerald H. Taylor	
Gerald H. Taylor	Director
/s/ Judith Whittaker	
Judith Whittaker	Director
/s/ John R. Worthington	
John R. Worthington	Director

Exhibit Index

Exhibit No.

Description

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99	(a)	Valuation and Qualifying Accounts (Schedule II).
	(h)	Capitalization Schedule

Wendy Hameroff-Cohen 11510 S.W. 131 Avenue Miami, Florida 33186

August 27, 1996

Mr.Richard Tudor
Assistant Director, Division of Communications
Public Service Commission of Florida
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Tudor:

In my role as Counselor for Deaf and Hard of Hearing Students in the Dade County Public School System, I have had a great deal of involvement with the Florida Relay Service. Personally, I have had the pleasure of utilizing this service, as well as observing the great satisfaction of students who use it.

The youngsters in our counseling program range from elementary to senior high school students. They are *all* extremely pleased and thankful to MCI Telecommunications Corporation and the Florida Relay Service. The staff is friendly and professional and the service is easy to use. Everyone seems to learn to use the system without difficulty.

Florida Relay Service has filled a crucial need for our community. The youngsters with whom I work express sincere gratitude for this service, and everyone I speak to, whether hearing or deaf, is extremely satisfied with it. I highly recommend that Florida continues to use MCI as a relay provider for many, many years to come.

If you wish to speak to me, I can be reached on Tuesdays at my office at 305-995-1775. (The other days, this serves only as voice mail, but I will be happy to return your call.) I would like to help in any way possible to ensure that MCI continues to provide the quality service to which we have become accustomed in Florida.

Sincerely,

Wendy Hameroff-Cohen, M.S.W.

Wendy Hameroff-Col

Counselor for Deaf and Hard of Hearing Students

William and Hilda Kerek 5296 Timucua Circle St. Augustine, Florida 32086-5639

September 6, 1996

Mr. Richard Tudor
Assistant Director, Division of Communications
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Dear Mr. Tudor,

I wanted to take a few minutes to write this letter of reference to let you know how deeply indebted and appreciative we are to MCI and Florida Relay Service's exemplary service. Our inquiries and concerns were taken care of promptly and courteously. We believe their courteous, efficient and responsive staff is the key to the successful operation of Florida Relay Service. Such high quality standards and the service provided is one of the very best in the country and we rate it as number one. The Florida Relay Service meets our highest expectations and we have every right to be proud of this service.

Mr. Robert Giuntoli has always maintained a friendly and "eager to help" attitude. His cooperation and professionalism are, indeed, valuable assets to MCI, Florida Relay Service and the citizens of Florida.

We are also most appreciative to you and the staff of the Florida Public Service Commission for the guidance you have provided during the past four years of Florida Relay Service operation and look forward to continued enjoyment of Florida Relay Service as we know it.

Sincerely yours,

William W. Kerek

Wallow W. KEREK

Hilda a. Kerek

Mr. Richard Tudor
Administrator of FL Relay Service Advisory Committee
FL Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

Dear Mr. Tudor,

I want to write this letter of reference for MCI and Florida Relay Service. I want to say that they have provided a very good service for 4 years and I look forward to continue to use them.

I am a social worker for the United Hearing and Deaf Services Center in Oakland Park and I have clients that used Florida Relay Services. They have told me that they liked the service very much, too. Everyone is very thankful to have a service like that available to them. MCI has been here for a long time and I would like to see them stay here in Florida so that all deaf people can be more familiar and stay comfortable with their kind of service.

The people at Florida Relay Service have shown interest and support for the deaf communities around Florida.

Thank you for your time and consideration.

Sincerely,

Jack Gleicher

2532 NW 99th Ave.

Coral Springs, FL 33065

ach Bleicher

(954) 346 9940 TDD

3667 SW 25th Terrace Miami, FL 33133 (305) 447-9203 TTY Only

August 19, 1996

Mr. Richard Tudor FL Public Service Commission Capital Circle Office Center 2540 Shumard Oak Blvd. Tallahassee, FL 32399

Dear Mr. Tudor,

I am a deaf senior citizen residing in Miami and I have used Florida Relay Service very frequently. I am writing this letter of reference to inform you that I have been very happy with the quality of service MCI has provided for Florida Relay Service. Their CAs has been very efficient and cooperative and their customer service representatives has been very helpful.

Robert Giuntoli, the manager, comes to Broward County Association of the Deaf from time to time and I saw him giving a presentation. I was very impressed with his knowledge and professionalism. He was very friendly, helpful and attentive to all of our questions and needs.

I am also a board member of the Deaf Services Bureau of Miami and I can say that I have seen people who are happy with the relay service. I hope Florida will continue to use MCI for the relay service. We are very happy and satisfied with them.

Sincerely,

Don Herman

Don Herman

Vice-President

Certified Copy

SIA HOARD SURFIY COMPANY

No. 12951

ADMINISTRATIVE OFFICES, BEDMINSTER, NEW JERSEY POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That SEABOARD SURETY COMPANY, a corporation of the State of New York, has made, constituted and appointed and by these presents does make, constitute and appoint James M. Manna or William C. Bauman or David C. Moylan or Shannon R. Keane

of Washington, DC

its true and lawful Attorney-in-Fact, to make, execute and deliver on its behalf insurance policies, surety bonds, undertakings and other instruments of similar nature as follows:

Without Limitations

Such insurance policies, surely bonds, undertakings and instruments for said purposes, when duly executed by the aforesaid Attorney in-Fact, shall be binding upon the said Company as fully and to the same extent as if signed by the duly authorized officers of the Company and sealed with its corporate seal, and all the acts of said Attorney in-Fact, pursuant to the authority hereby given, are hereby ratified and confirmed.

This appointment is made pursuant to the following By-Laws which were duly adopted by the Board of Directors of the said Company on December 8th, 1927, with Amendments to and including January 15, 1982 and are still in full force and effect.

Afficia VII, SECTION 1.

*Policies, bonds, recognizances, aliputations, coments of surety, underwriting undertaitings and instruments relating thereto.
Insurance policies, bonds, recognizances, stiputations, consents of surety and underwriting undertakings of the Company, and releases, agreements and other writings relating in any way thereto or to any claim or loss thereunder, shall be signed in the name and on behalf of the Company.

(a) by the Chairman of the Board, the President, a Vice-President or a Resident Vice-President and by the Secretary, an Assistant Secretary, a Resident Secretary or (b) by an Attorney in Fact for the Company appointed and authorized by the Chairman of the Board, the President or a Vice-President to make such signature; or (c) by such other officers or representatives as the Board may from time to time determine.

The seal of the Company shall if appropriate be affixed thereto by any such officer. Attorney in Fact or representative."

Attest.

(Seal) Quilgn) M. Fully Goststant Secretary

STATE OF NEW JERSEY
SOUNTY OF SOMERSET

OUNTY OF SOMERSET

On this 8th day of Decembe Michael B. Keegan

ecember 19 94 before me personally appeared a Vice-President of SEABOARD SURETY COMPANY.

with whom I am personally acquainted, who, being by me duly sworn, said that he resides in the State of New Jessey.

That he is a Vice-President of SEABOARD SURETY COMPANY, the corporation described in and which executed the foregoing instrument, that he knows the corporate seal of the said Company, that the seal affixed to said instrument is such corporate seal, that it was so affixed by order of the Board of Directors of said Company, and that he signed his name thereto as Vice-President of

said Company by like authority.

(Seal) (ROTARY)

BELINDA FAYE LEE NOTARY PUBLIC OF NEW JERSEY My Commission Expires Sept. 9,1998

GERTIFICATE

I, the undersigned Assistant Secretary of SEABOARD SURETY COMPANY do hereby certify that the original Power of Attorney of which the foregoing is a full, true and correct copy, is in full force and effect on the date of this Certificate and I do further certify that the Vice-President who executed the said Power of Attorney was one of the Officers authorized by the Board of Directors to appoint an attorney-in-fact as provided in Africia VII, Section 1, of the By-Laws of SEABOARD SURETY COMPANY.

This Certificate may be signed and sealed by facsimite under and by authority of the following resolution of the Executive Committee of the Board of Directors of SEABOARD SURETY COMPANY at a meeting duly called and held on the 25th day of March 1970.

"RESOLVED (2) That the use of a printed lacalimite of the corporate seal of the Company and of the signature of an Assistant Secretary on any certification of the correctness of a capy of an instrument executed by the President or A Vice-President pursuant to Article VII, Section 1, of the By-Laws appointing and authorizing an attorney in-fact to sign in the name and on behalf of the Company surety bonds, underwriting undertakings or other instruments described in said Article VII, Section 1, with like effect as it such seal and such signature had been manually affixed and made, hereby is authorized and approved."

IN WINNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of the Company to these presents this

Spiritary Becratery
Form 957 (Rev. 7/8

For verification of the authenticity of this Power of Attorney you may call, collect, 908-658-3500 and ask for the Power of Attorney clerk. Please refer to the Power of Attorney number, the above named individual(s) and details of the bond to which the power is attached. In New York, Dial 212-627-5444.



AIA Document A310

Bid Bond

KNOW ALL MEN BY THESE PRESENTS, that we MCI Telecommunications Corporation 1801 Pennsylvania Avenue, N.W., Washington, DC 20006

as Principal, hereinafter called the Principal, and Seaboard Surety Company

100 West Road, Suite 410, Towson, MD 21204

a corporation duly organized under the laws of the State of New York as Surety, hereinafter called the Surety, are held and firmly bound unto Florida Telecommunications Relay, Inc., 2549 Shumard Oak Blvd., Tallahassee, Florida 32399

as Obligee, hereinafter called the Obligee, in the sum of Five Hundred Thousand and 00/100 Dollars.

Dollars (\$500,000.00), for the payment of which sum well and truly to be made, the said Principal and the said Surety, bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Principal has submitted a bid for Florida Relay Service (FRS)

NOW, THEREFORE, if the Obligee shall accept the bid of the Principal and the Principal shall enter into a Contract with the Obligee in accordance with the terms of such bid, and give such bond or bonds as may be specified in the bidding or Contract Documents with good and sufficient surety for the faithful performance of such Contract and for the prompt payment of labor and material furnished in the prosecution thereof, or in the event of the failure of the Principal to enter such Contract and give such bond or bonds, if the Principal shall pay to the Obligee the difference not to exceed the penalty hereof between the amount specified in said bid and such larger amount for which the Obligee may in good faith contract with another party to perform the Work covered by said bid, then this obligation shall be null and void, otherwise to remain in full force and effect.

Signed and sealed this	25th	day of	September		19 96
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(Witness)	OCUM !		(Principal)	21	(Seaf)
	00,00	Seaboard	(Title) Surety Company		
Sandia X. (Witness)	Thous V	Sha	MAL OF	Years	(Seal) Attorney In-Fact
Sandra L. Walls		Shannon	R. Keane, Atto		ittorrio, ar ruot

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Countersigned By 7LA Agent: Charlotte Smith-Willes

FEATURES GENERALLY ASSOCIATED WITH TRS SERVICES

The Florida Public Service Commission is assured that features and services commonly associated with TRS are available to the users of Florida Relay Service. The following list is not intended to be a complete and exhaustive listing.

24 X 7 operation

Florida Relay Service users are assured of service 24 hours a day, 365 days a year.

- Intrastate, interstate, international carriage
 Florida Relay Service will handle all types of calls
- Toll-free access

Florida Relay Service will be accessed by the two toll-free numbers:

1-800-955-8771 TTY

1-800-955-8770 Voice

Baudot, ASCII compatibility

Florida Relay Service will be compatible with all protocols commonly in use by the TRS user community.

ANI

The MCI TRS system delivers the user ANI with each call for proper billing and recording purposes.

Back-up power

MCI TRS centers are equipped with back-up power generators and Uninterruptible Power Supply to critical elements of the TRS center.

System Redundancy

MCI TRS systems are fully redundant in TRS design and network access.

Expandability

MCI makes use of readily available off the shelf hardware components. The enhanced MCI TRS system is modular and may be expanded and adapted to new and emerging technologies and services as needed.

No user restrictions

No restrictions are placed on the number or duration of calls placed by users of Florida Relay Service.

P.01 blockage standard

Florida Relay Service will comply with this standard.

Use of latest technology

The MCI TRS system incorporates the most advanced TRS technology available.

Toll discounts

MCI provides the users of Florida Relay Services with a 50 percent discount on toll calls placed through FRS; 60 percent discount for dual sensory disabled users..

Point to Point billing

All Florida Relay Service calls are virtual calls. Long distance calls are billed from point of origin to point of termination regardless of the location of the TRS center.

Same rate billing

Users of Florida Relay Services pay no charge for access to FRS. Users are

assured of never paying higher rates for equivalent services.

• Alternate billing methods

Florida Relay Service users have the option of using a wide variety of billing methods such as collect, third party charge, credit card, calling card, TTY card, etc.

Confidentiality of calls

Users of Florida Relay Service are assured that all call conversation content remains confidential. No records of call content is preserved in any form or format.

Handling emergency calls

Users of Florida Relay Service are encouraged to use 911 for emergency service. However, MCI recognizes the limitations TTY users experience in accessing 911 and maintains a national database of emergency numbers to assist during an emergency call.

Directory assistance

Florida Relay Service users have the option of placing a DA call through FRS or calling the MCI national OSD 800 number 1-800-688-4486.

Tone and background

Florida Relay Service users are provided the tone and background sounds on the relay call as similar as possible to what a hearing caller would hear on line.

 Grammar, spelling, typing skills
 In MCI TRS centers, CA applicants must demonstrate competency in basic skills such as grammar, spelling and typing before being considered for employment.

• User control of relay calls

The Florida Relay Service user always has the option of telling the CA what aspects of the relay call to use or not use. The caller retains control of the call at all times.

Non-intrusion by the CA

At all times, the CA maintains a neutral position. The CA does not intervene in the relay call nor make value judgments on any aspect of the call.

Consumer input

The FRS Outreach program assures constant and on-going means of consumer feedback from the user community.

Traffic reporting

MCI assures reports will be delivered on a monthly basis that provide FPSC and FTRI complete documentation on call volumes, types, traffic patterns, contract specification compliance and user contacts.

Facilities description

The facilities include modern modular office furniture, privacy for all individual work stations, administrative and staff support offices arranged so that visitors can not see or observe the actual work stations, and a lounge area.

Separate rooms house central telecommunication equipment, switching systems, computers for tracking of all call processing and usage levels, and environment -controlling equipment (heating, ventilation, air-conditioning, security, fire suppression, and emergency lighting systems).

In all cases, relay center facilities, central workstations, and administrative offices are accessible to all individuals with disabilities.

• Network configuration description

The MCI relay system is designed to manage all types of calls -- local, intraLATA, interLATA, interstate, and international. MCI has developed a loss implementation plan that includes Bellcore specifications to ensure quality and ease of verification. This enables MCI to maintain the quality the State of Florida requires for the FRS.

System reliability

To ensure uninterrupted service to FRS users, MCI equips its relay system with battery and generator emergency power systems to provide power for interruptions of an unlimited duration. All relay centers have advanced Uninterruptible Power Supply (UPS) paired with a diesel generator set. This combination prevents both momentary power loss and long term power loss from affecting relay operation.

System adaptability

The hardware and software systems that will be used in the relay center will be capable of adapting to new equipment and telecommunications technology. MCI is interested in technical solutions that will improve access to all telecommunications capabilities.

Expandability of facilities

The Florida TRS system will be designed to handle the current Florida TRS traffic load and any future anticipated growth.

ASA of 90% 10 seconds, 99% 30 seconds

MCI Relay Service will answer 90% of all incoming calls within 10 seconds and 99% of all incoming calls within 30 seconds. This ensures both efficient operation to the State, and responsive service to the users.

Network access

MCI will install inbound 800 circuits and outbound Vnet circuits on T-1 facilities. MCI will install FG-A circuits to enable Florida TRS callers to connect to outside commercial 800 numbers and FG-D circuits to the LEC tandem for carrier of choice connections.

• Disaster recovery plan

MCI has developed and implemented comprehensive disaster recovery plans supporting its switched voice and digital transport networks. These networks provide the essential switched voice services (MCI 800 and Vnet) which are also used for relay call access and relay call termination. MCI gives disaster recovery priority consideration in its network architecture that is designed for fast and efficient rerouting capabilities.

Voice messaging services

Relay operators will transmit conversations between FRS users on realtime basis. The FRS does not function as an answering service firm, i.e. taking messages from callers for future delivery. FRS relay operators will, upon request by a caller, remain on the line, leave messages on answering machines or voice mail.

Carrier of choice

FRS users have the option to complete their calls using MCI or their Carrier of Choice (CoC). Users who elected their CoC will be billed by the receiving carrier at their tariff rates. MCI will relay the call but will not bill users for calls completed using carriers other than MCI.

Call detail record

A call detail record (CDR) is automatically generated by the MCI relay console for each call processed whether or not that call was completed. All records are stored immediately on MCI protected network file servers. At the end of each day, the records are archived using a tape storage system. At the end of each month, billing data is assembled and used by the report generation and billing systems.

Each call detail record contains a comprehensive set of data including, but not limited to:

- Billing telephone, calling card or credit card number,
- Originating (calling) telephone number (AC-prefix-line number),
- Terminating (called) telephone number (AC-prefix-line number),
- Incoming call received date and time (when the relay operator receives and answer the originating),
- Outgoing call attempt date and time (when relay operator dials the terminating number),
- Conversation call connection date and time (when both parties are connected),
- Conversation call disconnection date and time (when both parties are disconnected),
- Incoming call disconnection date and time (when the relay operator disconnects the original incoming call),
- Call type (local, toll, intrastate, interstate, international),
- Card validation number (if applicable),
- Call disposition (reason for disconnect, i.e. normal disconnect, invalid card number, called party would not accept collect charges, etc.), and
- Call duration.

Extended area service

MCI will work with LECs in Florida to accommodate their calling plans such as extended calling area, optional calling plans, EAS, or similar calling plans. Two methods are used to ensure that all users are protected irrespective of their specific LEC.

The preferred method for protecting against charges for toll usage in the EAS involves MCI providing each participating LEC all billing records of intraLATA calls placed by their customers. Since LECs are the sellers of

the various calling plans, their billing systems contain the detailed information necessary to correctly process the calls. The LEC will process the records to ensure that subscribers are correctly billed.

Access to restricted 800 numbers

The MCI network access includes Feature Group-D (FG-D) and Feature Group-A (FG-A) trunks provided by the local exchange carriers (LEC). These trunks are an integral part of MCI 800 and Vnet services. MCI's 800 service is used for incoming calls made to the relay center.

While FG-D trunks will support the majority of FRS needs, access to restricted 800 numbers requires the use of FG-A trunks in conjunction with MCI Vnet service. This set-up will support regionally restricted 800 traffic as well as calls to the business offices of local telephone companies which have special prefixes.

Voice carryover

A person who experiences difficulty hearing conversations on the telephone, but has understandable speech may request voice carryover (VCO) which will allow that individual to speak directly to the other end user. In reply, the CA will then type the voice responses on the TTY back to the person with the hearing loss. The CA does not voice the conversation between the two parties involved.

Two-line VCO

This feature allows a customer who cannot hear but has intelligible speech to use ASCII while maintaining complete control and inter-activity during phone calls.

To place a Two-Line VCO call, the ASCII user calls relay via modem, connects with a CA and requests that the CA make a call to their voice (second) line. Once connected in voice the ASCII customer dials out and conferences in the third party (the party they want to speak with). Now, the CA only types what the third party says. The CA is virtually invisible to the voice customer. The advantages to this feature include:

- freedom in dialing calls from originator's own telephone
- use of ASCII for enhanced speed and elimination of turn taking (lag time)
- total call control
- CA/Relay invisibility

Hearing Carryover

Hearing Carry Over (HCO) allows a person who cannot speak, but can hear to be able to listen to what the other party says. The CA needs only to voice the TTY user's typed words. To initiate an HCO call, a TTY customer dials into and connects with Florida TRS and types "HCO call" to the CA. The CA then sets up HCO and dials the number requested. When a connection is made the CA announces an HCO relay call and offers an explanation to the called party if they are not familiar with this type of call. The call can then proceed, with the HCO user listening to the voice of the standard phone user and the CA verbalizing the typed words of the HCO user to the standard phone user.

Preferred profile setup

Designed for customer convenience, the CPO (Customer Profile Option) is easy to register for and can be quickly applied to the customer's telephone line, triggered by their ANI (Automatic Number Identification).

The information needed to process CPO requests include the customer's telephone number and the type of custom profile they wish to have. Options include:

- Carrier of Choice (COC)
- Automatic Connection in ASCII
- Automatic Connection in Baudot (TTY)
- No Explanation of Service
- Voice Carry Over (VCO)
- Hearing Carry Over (HCO)
- 2-Line VCO
- Specialized blocking (e.g. do not allow long distance calls to be made through FRS from this number or do not allow any collect calls through FRS to be connected to this number).

The new generation MCI TRS system allows for a greatly expanded profile set-up.

Staffing plans

Staffing of CAs will reflect fluctuations in call volume which normally occur throughout the course of a particular day of a particular week.

Using the Employee Management Planning Systems specialized staff management software, prepared by Cybernetics Systems International of Coral Gables, Florida, in conjunction with available call data, MCI is able to accurately determine the CA staff levels necessary to meet BOTH the Average Speed of Answer requirement, at least 90 percent of all calls within ten seconds, and P.01 blockage.

Choice of communication assistant (gender)

At the beginning of the call, the TTY caller is given the relay operator's ID number and gender. Example: "FRS OPR 112F GA." Relay consoles

have the capability of transferring the call to another relay operator of the specific gender when requested by a TTY caller who may have a personal or business reason for requesting such a switch.

Minimum CA qualifications

- High school diploma, GED, or equivalent; a minimum of 12th grade level spelling skills required.
- Familiarity with/basic understanding of telephone and computer keyboard operations and principles. Keyboarding (typing) skills of at least 45 WPM, and the ability to increase these skills to the level necessary to keep pace with information communicated by voice.
- Understanding of and adherence to strict code of ethics and confidentiality.
- Excellent written, typed and verbal communication skills, including the ability to read and effectively "translate" from limited typed English to spoken English and vice versa, as necessary.
- Evidence of ability to work under pressure; that is, effectively handle caller demand levels, customer complaints, employee conflicts, emergency and related situations.
- Familiarity with/basic usage of American Sign Language (ASL);
 general understanding of deafness, cultural and language considerations, and deaf and hard-of-hearing community resources.
- Special Qualifications: Must have demonstrated ability to hear and understand within the range necessary to relay voiced telephone conversations, and intelligible speech to clearly relay typed telephone conversations.

Communication Assistant training

Training for center staff is provided by MCI and local representatives of the deaf, hard-of-hearing, and speech disabled communities (local consultants are an integral part of MCI relay training). This program provides education and orientation to deafness, deaf culture and language, the unique needs of persons with communications disabilities as well as relay ethics, procedures and techniques.

The relay center's staff and management are expected to complete a minimum of 44 hours of the training program. All staff and management personnel will receive training in these three training components:

a.Disability Awareness Unit totaling 7.0 hours

b.TRS Users Awareness Unit totaling 30.0 hours c.TRS Code of Ethics Unit totaling 7.0 hours

Communication assistant counseling

The primary objectives of the CA Counseling Program are to accomplish the following:

Increase employee effectiveness in coping with day-to-day (job-related) stress;

Develop employee competence, i.e, ability to perform effectively/succeed on the job;

Enhance employee workplace morale;

Increase employee awareness of/differentiation between workplace issues and those more appropriate for outside interventions;

Enhance open communication between employees and their supervisors; and

Minimize employee turnover.

While this program is designed specifically to meet the ongoing workplace needs of CAs, services will be made available (as resources permit) to other personnel within the relay Center.

The Employee Assistance Program will deploy Human Resources personnel to provide counseling support through a variety of options, including work-in, short-term individual, and structured group counseling sessions.

Structured group counseling sessions (both short-term and ongoing) will be set up to address the specific needs of CAs with varying experience levels. These group sessions will also provide an avenue whereby CAs can obtain relevant and timely feedback, information, and personal support on specific areas of concern.

Translation of limited English

Relay operators must, to the best of their ability, convey the conversation at a level most readily understood by ASL users, including translating from conversational English to limited typed English.

The relay operator training program, as previously described, includes instructions and exercises that allow new hires to understand and gain experience/skills in translating limited typed English to conversational English.

MCI uses a pool of deaf employees as part of the training team. These people, informally and on-call basis, serve as deaf advisors when the relay

operator needs assistance with difficult and/or unusual limited typed English relay calls.

Typing verbatim

Unless translation is requested, the CA relays the conversation verbatim.

Keeping user informed of call status

The relay operator keeps the user informed on the status of hihe/sher call by indicating ringing, busy, dialing, disconnected or on hold conditions.

Use of third person

If either party expresses themselves in third person, the relay operator also relays in the third person.

Verify spelling

The relay operator shall verify spelling of proper nouns, numbers and addresses if the relay operator is not familiar with the names. The verification is typed in parenthesis to the TTY user.

Interacting with answer machines

Relay operators will leave messages on answering machines or other voice processing systems if the call is answered by this type of equipment. If the call is a long distance call, the caller is charged for only the last call regardless of the number of redials required to capture the full outgoing message and leave a message.

The following procedure will be utilized:

- a) The relay operator informs the caller when an answering machine has been reached.
- b) The relay operator will try to transmit to the caller the full content of the answering machine message. If the relay operator is unsuccessful on the first try, he/she asks the caller if the relay operator should try again to capture the remaining message.
- c) The relay operator asks the caller if she/he wishes to leave a message.
- d) If requested, the relay operator leaves the caller's full message on the answering machine.
- e) The relay operator confirms to the caller the message has been left on the answering machine.

f) The caller is charged for only the last call regardless of the number of re-dials required to leave the message.

The new generation MCI TRS system will be capable of capturing messages from an answering machine for play back purposes and to save re-dialing to capture complete messages. Such recordings will be automatically erased when the call is completed.

- Complaint resolution procedures
- I. TRS customer contacts a FRS Customer Service Representative (CSR)
 CSR obtains pertinent information

Complaint is logged in automated customer service tracking system CSR assigns priority level

If caller has been on hold and is still connected with the relay, the CA could also call a supervisor to speak to the customer.

II. Record of Complaint or Compliment (ticket) is routed to appropriate personnel

Complaint is investigated or compliment delivered Status of ticket is provided via the automated system to CSR and Customer Service Manager (CSM)

III. CSR contacts TRS customer

Ticket is closed if resolution is acceptable to customer

If resolution is not acceptable to customer, CSM refers to TRS

Program Director and then to TRS Contract Administrator if required

IV. Tracking system

Identifies all open tickets

Provides performance statistics per closed ticket

Reports on all activity by date, degree and nature of issue

V. Customer Service Management

Evaluates process

Recommends improvements when appropriate

Contacts TRS customer to determine satisfactions

- VI. Information provided to TRS Contract Administrator Monthly reports formatted per instructions
- Customer Service tracking

The Customer Service Department (CSD) will fulfill the mission of being a customer-driven relay. All Customer Service activities are implemented with the belief that customers are the most important element of any relay.

The majority of the Customer Service Department staff are relay users themselves. Most persons who are either deaf, hard of hearing or speech impaired, which greatly enhances their ability to relate to and communicate with FRS customers.

Customer Service Line is the primary point of contact for most customers. On this toll-free line, callers will have an opportunity to have their general questions on relay answered. They can also obtain more specific information, such as equipment set-up for Voice and Hearing Carry Over calls, ASCII settings, Customer Profile options and relay policies and procedures.

Publicity materials

Appropriate publicity materials used for marketing purpose within FRS environment will describe the necessary steps the users need to take to access their choice of intraLATA and interLATA carriers.

References

References are listed in Section C, Part 5.

Bidder experience

MCI is one of the world's largest and fastest-growing diversified communications companies. With 1995 annual revenue of \$15.3 billion, MCI offers consumers and businesses a broad portfolio of services, including:

- long distance
- wireless
- local access
- paging
- outsourcing
- systems integration
- Internet software and access
- information services
- business software
- advanced global communications
- traditional telecommunications services

MCI, incorporated in 1969, is the second largest telecommunications company in the U.S. and is the third largest international traffic carrier. MCI provides a full spectrum of communications services to more than 10 million customers worldwide, including almost every fortune 500 company. The number of MCI employees has grown from 1,000 in 1980, to more than 45,000 today, providing a full range of domestic and international

telecommunications services for business, government, and residential customers.

MCI currently provides telecommunication relay services (TRS) for eight states.

Financial history

MCI 1995 revenue grew by 14% to \$15.3 billion. With its billion dollar revenue and cash flow capabilities, MCI is capable of absorbing the expansion and liability costs associated with the Florida Relay Service (FRS) without endangering its financial stability.

MCI personnel who will be involved with managing the Florida TRS consists mostly of the same individuals involved in the start-up of all five states since early 1992. These individuals are currently involved with implementing MCI's newest TRS states — California, Massachusetts and North Carolina.

ADA compliance

Relay operators are expected to perform in compliance with Title IV of the Americans with Disabilities Act of 1990, and the Federal Communications Commission (FCC) rules and regulations that promotes functional equivalency. The following provides details on how each requirement is handled at the MCI relay centers.

FCC regulation compliance

The communications facilities required to support relay services use the same transmission and switching systems currently deployed throughout the MCI network. These facilities are monitored and tested continuously to insure that they continuously satisfy MCI's stringent performance requirements, thereby satisfying and/or surpassing FCC and interexchange performance standards, including those for circuit loss and noise.

MCI TELECOMMUNICATIONS COMPANY ANYSITE RELAY SERVICE

COMMUNICATIONS ASSISTANT ANSWER TIME (IN SECONDS)

	CALLS				ASA %
DATE	OFFERED	ASA	LONGEST	SHORTEST	<=15 SEC
0.410.410.01	5.000	٥١	00	0	06.3
04/01/96	5,928	6	90	0	96.3
04/02/96	5,592	5	90	0	97.7
04/03/96	5,300	3	90	0	96.2
04/04/96	5,490	3	60	0	98.6
04/05/96	5,055	3	90	0	98.2
04/06/96	3,934	6	90	0	97.5
04/07/96	3,166	5	90	0	96.3
04/08/96	5,598	8	60	0	92.3
04/09/96	5,329	4	90	0	95.0
04/10/96	5,228	4	90	0	92.9
04/11/96	5,078	5	90	0	92.0
04/12/96	5,178	4	60	0	93.0
04/13/96	3,797	3	60	0	96.9
04/14/96	3,364	7	90	0	94.4
04/15/96	5,829	9	90	0	91.5
04/16/96	5,453	5	60	0	91.3
04/17/96	5,281	5	90	0	92.5
04/18/96	5,294	5	60	0	92.5
04/19/96	5,095	3	90	0	97.3
04/20/96	3,611	3	90	0	96.3
04/21/96	3,199	6	90	0	90.9
04/22/96	5,852	8	60	0	92.6
04/23/96	5,332	5	90	0	91.1
04/24/96	5,238	6	90	0	90.2
04/25/96	5,244	4	90	0	94.8
04/26/96	5,332	5	60	0	92.8
04/27/96	3,502	5	60	0	90.8
04/28/96	2,581	4	90	0	94.6
04/29/96	5,780	6	60	0	93.3
04/30/96	5,849	6	90	0	92.3
AVG.	4,884	5.03333	80	0	94.07

MCI TELECOMMUNICATIONS COMPANY ANYSITE RELAY SERVICE INCOMING BLOCKAGE

DATE	CALLS	CALLS	PERCENT
	OFFERED	BLOCKED	BLOCKED
04/01/96	5,928	46	0.78%
04/02/96	5,592	54	0.97%
04/03/96	5,300	5	0.09%
04/04/96	5,490	2	0.04%
04/05/96	5,055	8	0.16%
04/06/96	3,934	33	0.84%
04/07/96	3,166	28	0.88%
04/08/96	5,598	45	0.80%
04/09/96	5,329	45	0.84%
04/10/96	5,228	38	0.73%
04/11/96	5,078	44	0.87%
04/12/96	5,178	41	0.79%
04/13/96	3,797	9	0.24%
04/14/96	3,364	23	0.68%
04/15/96	5,829	29	0.50%
04/16/96	5,453	51	0.94%
04/17/96	5,281	46	0.87%
04/18/96	5,294	22	0.42%
04/19/96	5,095	20	0.39%
04/20/96	3,611	24	0.66%
04/21/96	3,199	23	0.72%
04/22/96	5,852	43	0.73%
04/23/96	5,332	47	0.88%
04/24/96	5,238	46	0.88%
04/25/96	5,244	19	0.36%
04/26/96	5,332	24	0.45%
04/27/96	3,502	32	0.91%
04/28/96	2,581	17	0.66%
04/29/96	5,780	24	0.42%
04/30/96	5,849	49	0.84%
AVG.	4,884	31	0.64%

REPORT 1

MCI TELECOMMUNICATIONS COMPANY ANYSITE RELAY SERVICE TRAFFIC REPORT A (TOTAL DAILY & MONTHLY)

----- INCOMING CALLS -----

----- OUTGOING CALLS -----

DATE	BAUDOT	ASCII	VOICE	TOTAL		BAUDOT	ASCII	VOICE	COMPLETED	INCOMPLETE	TOTAL
04/01/96	4,518	46	1,364	5,928		617	0	4,779	5,396	2,316	7,712
04/02/96	4,246	35	1,311	5,592		617	1	4,450	5,068	2,258	7,326
04/03/96	4,006	43	1,251	5,300		579	1	4,114	4,694	1,937	6,631
04/04/96	4,126	45	1,319	5,490		564	1	4,354	4,919	2,136	7,055
04/05/96	3,872	32	1,151	5,055		528	0	4,054	4,582	1,772	6,354
04/06/96	2,945	29	960	3,934	-	432	2	3,017	3,451	1,747	5,198
04/07/96	2,331	15	820	3,166		446	0	2,368	2,814	1,135	3,949
04/08/96	4,372	19	1,207	5,598		585	0	4,469	5,054	2,437	7,491
04/09/96	4,072	28	1,229	5,329		545	0	4,209	4,754	2,005	6,759
04/10/96	3,962	38	1,228	5,228		560	0	4,060	4,620	1,899	6,519
04/11/96	3,823	31	1,224	5,078		538	0	3,832	4,370	1,965	6,335
04/12/96	3,974	43	1,161	5,178		550	1	4,145	4,696	1,919	6,615
04/13/96	2,864	34	899	3,797		454	0	2,930	3,384	1,267	4,651
04/14/96	2,460	19	885	3,364	-	460	0	2,499	2,959	1,364	4,323
04/15/96	4,428	49	1,352	5,829		549	0	4,419	4,968	2,726	7,694
04/16/96	4,057	42	1,354	5,453		610	1	4,088	4,699	2,186	6,885
04/17/96	3,937	38	1,306	5,281		603	0	4,092	4,695	1,862	6,557
04/18/96	4,072	31	1,191	5,294		537	0	4,118	4,655	1,897	6,552
04/19/96	3,850	24	1,221	5,095		562	1	3,943	4,506	1,754	6,260
04/20/96	2,778	29	804	3,611		410	0	2,792	3,202	1,324	4,526
04/21/96	2,386	16	797	3,199		414	0	2,392	2,806	1,319	4,125
04/22/96	4,482	45	1,325	5,852		596	0	4,691	5,287	2,552	7,839
04/23/96	_4,148	32	1,152	5,332		535	0	4,326	4,861	2,084	6,945
04/24/96	4,008	23	1,207	5,238		599	0	4,220	4,819	1,872	6,691
04/25/96	3,977	32	1,235	5,244		517	0	4,089	4,606	1,907	6,513
04/26/96	4,148	29	1,155	5,332		576	0	4,205	4,781	1,888	6,669
04/27/96	2,692	14	796	3,502		413	1	2,787	3,201	1,273	4,474
04/28/96	1,970	14	597	2,581		310	0	2,022	2,332	844	3,176
04/29/96	4,445	44	1,291	5,780		542	0	4,774	5,316	2,443	7,759
04/30/96	4,517	38	1,294	5,849		619	0	4,644	5,263	2,396	7,659
MONTHLY											
TOTALS	111,466	957	34,086	146,509	*	15,867	9	114,882	130,758	56,484	187,242
											
Monthly						ļl					
% of Total	76.08%	0.65%	23.27%	100.00%		12.13%	0.01%	87.86%	100.00%	00.450/	400.000
									69.83%	30.17%	100.00%

^{*}Incoming call counts include General Assistance calls, the outgoing counts do not.

Total General Assistance calls this month:

MCI TELECOMMUNICATIONS COMPANY ANYSITE RELAY SERVICE INCOMING CALLER PROFILE

				INC	OMING		
DATE	BAUDOT	USERS	ASCII	USERS	VOICE	USERS	TOTAL
	# OF	AVG	# OF	AVG	# OF	AVG	CALLS
	CALLS	LEN	CALLS	LEN	CALLS	LEN	
04/01/96	4,518	7.4	46	7.9	1,364	4.5	5,928
04/02/96	4,246	7.3	35	7.1	1,311	4.2	5,592
04/03/96	4,006	7.0	43	6.5	1,251	4.2	5,300
04/04/96	4,126	7.6	45	8.0	1,319	4.0	5,490
04/05/96	3,872	7.4	32	5.8	1,151	5.5	5,055
04/06/96	2,945	6.6	29	8.8	960	4.2	3,934
04/07/96	2,331	6.6	15	4.8	820	5,3	3,166
04/08/96	4,372	7.4	19	8.4	1,207	4.7	5,598
04/09/96	4,072	7.7	28	8.0	1,229	4.3	5,329
04/10/96	3,962	7.2	38	10.8	1,228	4.3	5,228
04/11/96	3,823	7.4	31	7.9	1,224	4.2	5,078
04/12/96	3,974	7.2	43	7.5	1,161	4.3	5,178
04/13/96	2,864	6.7	34	6.3	899	5.7	3,797
04/14/96	2,460	6.8	19	5.8	885	5.5	3,364
04/15/96	4,428	7.4	49	7.0	1,352	4.1	5,829
04/16/96	4,057	7.3	42	12.9	1,354	4.0	5,453
04/17/96	3,937	7.2	38	6.2	1,306	4.2	5,281
04/18/96	4,072	7.0	31	8.6	1,191	4.3	5,294
04/19/96	3,850	6.9	24	8.1	1,221	3.9	5,095
04/20/96	2,778	6.4	29	9.2	804	4.8	3,611
04/21/96	2,386	6.7	16	8.4	797	5.7	3,199
04/22/96	4,482	7.5	45	6.0	1,325	4.1	5,852
04/23/96	4,148	7.3	32	14.1	1,152	4.6	5,332
04/24/96	4,008	7.6	23	9.2	1,207	5.3	5,238
04/25/96	3,977	7.1	32	9.6	1,235	4.0	5,244
04/26/96	4,148	7.0	29	10.4	1,155	4.0	5,332
04/27/96	2,692	6.6	14	4.0	796	4.9	3,502
04/28/96	1,970	6.6	14	5.4	597	5.0	2,581
04/29/96	4,445	7.7	44	10.5	1,291	4.1	5,780
04/30/96	4,517	7.4	38	8.2	1,294	4.8	5,849
TOTAL	111,466		957		34,086		146,509
DAILY AVG.	3,716	7.1	32	8.0	1,136	4.6	4,884
Monthly							
% of Total	76.08%		n 6 <u>5%</u>		23.27%		100.00%

REPORT 3

MCI TELECOMMUNICATIONS COMPANY ANYSITE RELAY SERVICE OUTGOING CALL TYPES

			INTERLATA			000 04110	DIRECTORY	CARRIER	TOTAL OUTGOING
DATE	LOCAL	INTRALATA	INTRASTATE	INTERSTATE	INTERNATL	800 CALLS	ASSISTANCE	OF CHOICE	001001110
04/01/96	4,834	1,346	355	483	18	747	7	1	7,791
04/02/96	4,407	1,360	435	442	10	728	3	12	7,397
04/03/96	4,191	1,210	370	415	11	487	3	9	6,696
04/04/96	4,509	1,333	367	393	14	508	3	1	7,128
04/05/96	4,100	1,158	356	356	6	443	1	9	6,429
04/06/96	3,212	983	298	505	9	243	3_	8	5,261
04/07/96	2,226	873	249	533	6	116	1	3	4,007
04/08/96	4,470	1,329	375	457	11	904	4	3	7,553
04/09/96	4,191	1,264	357	450	9	585	3	0	6,859
04/10/96	4,026	1,138	450	428	8	532	. 0	1	6,583
04/11/96	3,856	1,038	443	453	11	576	2	6	6,385
04/12/96	4,110	1,202	431	478	5	455	6	3	6,690
04/13/96	2,812	905	377	398	6	198	11_	5	4,702
04/14/96	2,464	908	334	428	67	156	2	6	4,365
04/15/96	4,300	1,506	441	541	11	966	1	6	7,772
04/16/96	4,202	1,153	379	478	5	711	7	6	6,941
04/17/96	4,100	1,104	418	450	8	539	3	0	6,622
04/18/96	4,017	1,208	423	434	16	501	2	5	6,606
04/19/96	3,925	1,099	372	381	9	542	2	3	6,333
04/20/96	2,702	910	360	364	14	201	0	12	4,563
04/21/96	2,383	680	418	493	12	177	3	6	4,172
04/22/96	4,680	1,507	411	551	7	747	7	6	7,916
04/23/96	4,221	1,322	453	442	8	549	0	3	6,998
04/24/96	4,218	1,161	413	410	17	520	7	5	6,751
04/25/96	3,970	1,280	427	431	10	444	6	6	6,574
04/26/96	4,250	1,148	384	486	14	443		2	6,727
04/27/96	2,813	817	375	342	9	158	4	6_	4,524
04/28/96	1,921	621	215	319	9	116	2	1	3,204
04/29/96	4,665	1,366	463	556	15	738	4	8	7,815
04/30/96	4,789	1,260	495	534	6	650	1	3	7,738
								4.5	0
TOTAL	114,564	34,189	11,644	13,431	361	14,680	88	145	189,102
Daily Avg.	3,819	1,140	388	448	12	489	3	5	
Monthly		· · · · · · · · · · · · · · · · · · ·							
% of Total	60.58%	18.08%	6.16%	7.10%	0.19%	7.76%	0.05%	0.08%	100.00%

REPORT 4

MCI TELECOMMUNICATIONS COMPANY ANYSITE RELAY SERVICE COMPLETED OUTGOING CALL DISTRIBUTION (MINUTES)

04/01/96	2,302	1,031	692	413	303	540	139	28	12	4	11	5475
04/02/96	2,158	990	661	374	266	498	133	35	14	7	3	5139
04/03/96	2,095	889	586	384	240	419	91	26	17	7	5	4759
04/04/96	2,223	956	588	343	261	459	108	32	12	4	6	4992
04/05/96	2,205	835	509	324	221	411	87	38	9	7	11	4657
04/06/96	1,728	628	376	254	141	275	66	27	14	1	4	3514
04/07/96	1,488	443	275	172	110	260	76	35	7	3	3	2872
04/08/96	2,103	972	647	420	259	525	127	29	12	9	13	5116
04/09/96	2,070	867	605	366	269	493	119	32	16	6	11	4854
04/10/96	2,065	865	529	347	230	471	110	31	20	7	9	4684
04/11/96	1,890	817	534	334	228	444	102	34	20	8	9	4420
04/12/96	2,174	855	511	382	241	461	90	31	15	5	6	4771
04/13/96	1,739	611	316	214	138	295	71	28	11	2	9	3434
04/14/96	1,486	492	313	179	146	259	67	33	11	8	7	3001
04/15/96	2,061	976	632	401	255	542	124	25	16	4	10	5046
04/16/96	2,009	924	542	379	245	470	117	34	17	14	4	4755
04/17/96	2,099	864	592	361	220	469	94	37	14	3	7	4760
04/18/96	2,086	859	530	341	244	478	118	26	16	7	4	4709
04/19/96	1,996	880	529	362	246	444	87	23	8	2	2	4579
04/20/96	1,659	587	299	221	125	236	65	29	10	3	5	3239
04/21/96	1,462	448	266	183	106	268	70	30	9	5	6	2853
04/22/96	2,290	1,006	624	427	285	525	136	45	13	4	9	5364
04/23/96	2,209	841	597	366	259	469	107	35	16	7	8	4914
04/24/96	2,117	874	582	366	264	496	108	42	18	6	6	4879
04/25/96	2,046	873	528	365	246	453	102	38	9	3	4	4667
04/26/96	2,128	938	596	357	230	444	93	33	9	2	9	4839
04/27/96	1,665	553	341	224	133	227	72	19	9	5	3	3251
04/28/96	1,211	400	216	161	93	192	52	19	8	3	5	2360
04/29/96	2,277	990	671	447	257	525	130	42	18	3	12	5372
04/30/96	2,287	993	620	407	318	519	130	38	15	8	7	5342
DAILY TOTAL	59,328	24,257	15,307	9,874	6,579	12,567	2,991	954	395	157	208	132,617
Daily Avg.	1,978	809	510	329	219	419	100	32	13	5	7	4,421
Monthly												
% of Total	44.74%	18.29%	11.54%	7.45%	4.96%	9.48%	2.26%	0.72%	0.30%	0.12%	0.16%	100.00%

MCI TELECOMMUNICATIONS - ANYSITE RELAY SERVICE

CA STAFFING LEVELS WEEK OF 04/01/96-04/06/96

TIME							-	
RANGE		SUN	MON	TUES	WED	THUR	FRI	SAT
00:00	00:59		8	9	9	10	10	
01:00	01:59		7	6	6	7	7	
02:00	02:59		3	2	4	4	3	
03:00	03:59		2	3	3	3	3	
04:00	04:59		2	3	3	3	2	
05:00	05:59		2	2	3	3	4	
06:00	06:59		10	8	10	8	8	
07:00	07:59		19	19	18	18	18	
08:00	08:59		43	43	38	38	37	
09:00	09:59		67	60	59	59	60	
10:00	10:59		72	65	66	66	65	
11:00	11:59		71	61	63	68	64	
12:00	12:59		64	57	56	61	61	
13:00	13:59		64	55	57	57	57	
14:00	14:59		63	55	55	59	59	
15:00	15:59		67	62	57	67	61	
16:00	16:59		64	58	53	66	54	
17:00	17:59		51	53	48	56	44	
18:00	18:59		48	55	56	60	52	
19:00	19:59		50	55	52	57	50	
20:00	20:59		44	51	51	55	43	
21:00	21:59		43	44	43	47	36	
22:00	22:59		34	38	36	34	31	
23:00	23:59		13	15	13	17	19	

MCI TELECOMMUNICATIONS - ANYSITE RELAY SERVICE

CA STAFFING LEVELS WEEK OF 04/07/96-04/13/96

TIME								
RANGE		SUN	MON	TUES	WED	THUR	FRI	SAT
00:00	00:59		7	8	8	12	9	9
01:00	01:59		5	6	4	6	7	9
02:00	02:59	5	5	2	3	2	5	3
03:00	03:59	2	4	2	3	3	4	3
04:00	04:59	3	2	2	2	2	3	3
05:00	05:59	3	2	1	2	3	3	5
06:00	06:59	2	8	6	8	6	9	8
07:00	07:59	8	19	16	19	17	18	11
08:00	08:59	14	34	37	40	43	41	19
09:00	09:59	16	58	58	62	68	64	29
10:00	10:59	21	66	68	72	74	73	41
11:00	11:59	22	65	67	69	75	71	40
12:00	12:59	19	52	57	62	62	60	35
13:00	13:59	20	56	62	59	63	62	38
14:00	14:59	25	61	64	65	63	60	37
15:00	15:59	31	64	71	65	69	64	47
16:00	16:59	35	57	63	62	66	62	54
17:00	17:59	36	49	56	54	51	49	47
18:00	18:59	38	55	55	54	48	53	39
19:00	19:59	34	52	52	49	44	49	38
20:00	20:59	37	49	49	44	44	45	33
21:00	21:59	36	44	38	44	43	39	37
22:00	22:59	31	34	35	34	34	31	30
23:00	23:59	14	16	14	19	17	13	17

MC1 TELECOMMUNICATIONS - ANYSITE RELAY SERVICE

CA STAFFING LEVELS WEEK OF 04/14/96-04/20/96

TIME								
RANGE		SUN	MON	TUES	WED	THUR	FRI	SAT
00:00	00:59	6	10	11	13	11	7	12
01:00	01:59	7	8	8	8	7.	7	9
02:00	02:59	4	4	3	6	5	3	5
03:00	03:59	5	3	2	4	4	3	4
04:00	04:59	3	2	3	5	5	4	4
05:00	05:59	4	3	3	4	5	3	<u>3</u>
06:00	06;59	5	9	8	11	7	9	7
07:00	07:59	8	19	20	23	17	18	13
08:00	08:59	18	41	43	46	40	43	22
09:00	09:59	27	63	66	68	65	66	32
10:00	10:59	39	69	75	72	72	68	48
11:00	11:59	34	66	71	69	68	67	43
12:00	12:59	29	58	64	59	59	60	38
13:00	13:59	33	61	63	63	58	59	38
14:00	14:59	66	65	65	62	67	64	34
15:00	15:59	41	66	76	67	66	70	48
16:00	16:59	50	67	66	58	68	62	47
17:00	17:59	46	54	55	51	52	50	43
18:00	18:59	44	54	55	56	52	46	39
19:00	19:59	42	55	52	46	50	43	38
20:00	20:59	42	50	49	43	47	42	34
21:00	21:59	43	43	45	41	41	35	33
22:00	22:59	32	39	35	30	31	27	31
23:00	23:59	19	17	17	16	16	17	17

MCI TELECOMMUNICATIONS - ANYSITE RELAY SERVICE

CA STAFFING LEVELS WEEK OF 04/21/96-04/27/96

TIME								
RANGE		SUN	MON_	TUES	WED	THUR	FRI	SAT
00:00	00:59	13	9	10	8	10	11	9
01:00	01:59	- 8	9	7	7	5	10	8
02:00	02:59	4	4	4	3	4	5	3
03:00	03:59	4	3	3	3	2	3	1
04:00	04:59	4	3	3	2	3	3	2
05:00	05:59	5	3	3	3	3	5	3
06:00	06:59	9	8	7	8	7	9	6
07:00	07:59	12	20	19	18	16	17	10
08:00	08:59	20	41	39	39	40	43	19
09:00	09:59	26	63	59	63	61	66	30
10:00	10:59	41	72	70	70	66	74	38
11:00	11:59	35	69	66	67	62	73	37
12:00	12:59	34	56	58	59	55	61	32
13:00	13:59	34	62	56	59	53	60	30
14:00	14:59	35	56	58	60	56	59	30
15:00	15:59	40	69	67	65	63	61	41
16:00	16:59	44	64	64	59	53	56	43
17:00	17:59	41	49	52	48	43	50	35
18:00	18:59	39	56	54	51	46	54	32
19:00	19:59	33	50	51	50	46	52	32
20:00	20:59	37	50	49	52	44	46	28
21:00	21:59	34	46	47	47	46	43	29
22:00	22:59	31	36	36	35	37	33	23
23:00	23:59	18	17	15	16	21	16	11

MCI TELECOMMUNICATIONS - ANYSITE RELAY SERVICE

CA STAFFING LEVELS WEEK OF 04/28/96-04/30/96

TIME								
RANGE		SUN	MON	TUES	WED	THUR	FRI	SAT
00:00	00:59	8						
01:00	01:59	5					· · · · · · · · · · · · · · · · · · ·	
02:00	02:59	3						
03:00	03:59	2						
04:00	04:59	2						
05:00	05:59	3						
06:00	06:59	4						
07:00	07:59	8			<u> </u>			
08:00	08:59	18						
09:00	09:59	26			<u> </u>			
10:00	10:59	39						
11:00	11:59	35						L
12:00	12:59	31						<u></u>
13:00	13:59	34						
14:00	14:59	30			<u></u>			
15:00	15:59	41						
16:00	16:59	45						
17:00	17:59	45			<u> </u>			
18:00	18:59	47						
19:00	19:59	43						
20:00	20:59	42						
21:00	21:59	39						
22:00	22:59	34						
23:00	23:59	7				ļ		

Overview of MCI's Supplier Diversity/Sales Support strategy

MCI's policy is to fully support the use of qualified Small Minority and Women-Owned Business Enterprises (M/WBEs). Due to the nature of the telecommunications services industry, MCI develops annual subcontracting plans for M/WBEs based on Companywide goals relating to MCI's overall business as a telecommunications services provider rather than on the basis of individual contracts. MCI's Company-wide Subcontracting Plan is implemented and maintained in compliance with Federal Procurement Regulations and Public Law 95-507.

MCI is a member of the National Minority Supplier Development Council (NMSDC), serves on the Board of Directors of the MD/DC Minority Supplier Development Council, and MCI's field offices participate on a local level with other regional councils, i.e., Virginia Regional Minority Supplier Development Council, Carolinas Minority Supplier Development Council, Georgia MSDC, Dallas/Fort Worth MSDC, Northern California, New York/New Jersey MSDC and the Piedmont MSDC, among others.

MCI has received several awards for its Minority-owned business enterprise utilization efforts. In 1995, MCI was honored with the following awards:

- Executive Director's Award for recognizing the needs and benefits of aiding and stimulating the growth of diverse suppliers, including minority and women-owned businesses
- Minority Business Input Committee (MBEIC) Executive Committee award to the Manager of Supplier Diversity/Sales Support, for distinguished service and commitment on behalf of MCI and the Minority Business Community
- Service Disabled Veterans Association honored MCI for its outstanding contributions to the disabled veterans community.
- MCI has a MBE Law firm recruitment program in place, and the Corporate General Counsel's Office reports spending with MBE law firms year-end 1995 to be in excess of \$66,000. MCI has received a commendation from the American Bar Association for its participation in the ABA Minority Council Demonstration Program.
- Goals for Disadvantaged-owned and Women-owned Business participation in MCI's Procurement process have been established for all MCI buying personnel (Corporate, Subsidiary and Affiliate) including the procurement managers. These goals are a part of individual performance evaluations; goal status is tracked and reported monthly with quarterly updates.

- MCI was approved and accepted into the Department of Defense (DoD) Mentor Protege Pilot Program September, 1995. We have three proteges. They are as follows:
 - Dynamic Cable, Ben Wheeler, Texas
 - Ronson Communications, Alexandria, VA
 - Texcom Corporation, Portsmouth, VA

Some comparative results regarding MCI's Supplier Diversity/Sales Support efforts are as follows:

- In 1990, MCI's small business awards grew to nearly \$434 million, or 25% of total procurement dollars. Of those awards, 6.4% or \$27.8 million were made to Small Disadvantaged-owned Businesses and 5.4% of those awards or \$23.4 million were made to Small Women-owned firms.
- In 1991, small business awards were nearly \$362 million, or 22% of total procurement dollars. Of those awards, 9.2% \$33.4 million were made to Small Minority-owned Businesses and nearly 6.6% or \$24 million were made to Small Women-owned firms.
- In 1992, small business awards were \$464 million or over 19% of total procurement awards. Of those awards, 12% or \$55.7 million were made to Small Minority-owned businesses and 6% or more than \$29.3 million were made to Small Women-owned firms.
- In 1993, small business awards were \$739.7 million or over 30% of total procurement awards. Of those awards, 10% or more than \$76.1 million of those awards were made to small minority-owned businesses and 6% or more than \$44.3 million were made to small women-owned firms.
- In 1994, small business awards were \$816.5 million or over 19% of total procurement awards. Of those awards, 12% or more than \$95.6 million were made to Small Minority-owned businesses and 8% or more than \$68.1 million were made to Small Women-owned firms.
- In 1995, small business awards were \$861.7,or more than 18% of total procurement awards. Of those awards, 14% or more than \$119.3 million were made to Small Minority-owned businesses, and 9.4% or more than \$81.4 million were made to Small Women-owned firms.
- YTD August 31, 1996, more than \$88 million has been awarded to Small Minorityowned businesses and more than \$56 million has been awarded to Small Womenowned businesses.



Under the auspices of the Carrier Liaison Committee

290 W. Mt. Pleasant Avenue Livingston, New Jersey 07039 Fax: (201) 740-6949

> Madeline Bogdan Moderator Room: 4D249 Phone: 201 740-4612

Dawne Drake Secretary Room: 4C227 Phone: 201 740-4657 TELECOMMUNICATIONS RELAY SERVICE - TECHNICAL NEEDS

Equal Access For Telecommunications Relay Service Workshop

Co-Chairs

Bob Hirsch AT&T

Jim Longua Ameritech

Sponsored by the Exchange Carriers
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TELECOMMUNICATIONS RELAY SERVICE - TECHNICAL NEEDS

1.0 Background

1.1 Introduction

This paper presents the current industry understanding regarding network technical issues associated with the implementation of Telecommunications Relay Service (**RS). Of particular concern is the issue of carrier of choice — the ability of the TRS — r to specify the carrier the user wishes to transport the call, and the manner in which this feature can be provided. This effort is a result of activity initiated at the Industry Carriers Compatibility Forum (ICCF). It represents the current industry view and may be subject to change. Any such changes, including modifications or additions to the document will be made under the direction of the ICCF.

Although the technical arrangements described in the document should be considered the product of industry consensus regarding the ultimate network solution to the stated issues, there should be no inference relating to the implementation of the proposed architectures by any TRS service provider. That is, the decision to implement these arrangements, and the timetable in which such arrangements should be deployed, is likely to be based on business and regulatory concerns, and will vary accordingly. Moreover, nothing in this document precludes the use of alternative arrangements which may include some or none of the features described.

1.2 Telecommunications Relay Service

Telecommunications Relay Service (TRS) is a telephone transmission service that provides the ability for an individual who has a hearing or speech disability to engage in communication by wire or radio with a hearing individual in a manner that is functionally equivalent to the ability of an individual who does not have a hearing impairment or speech impairment.

TRS includes services that enable two-way communication between an individual who uses a Text Telephone (TT) or other nonvoice terminal and an individual who does not use such a device.

1.3 Key Regulatory and Legislative Rulings

Several regulatory and legislative actions have mandated that TRS be made available. Most significant of these actions is the Americans with Disabilities Act (ADA) which prescribes that

Each common carrier ... shall ... provide ... TRS, individually, through designees, through a competitively selected vendor, or in concert with other carriers.

In addition, the ADA directs the FCC to prescribe regulations that establish functional requirements, guidelines, and operations procedures for TRS.

In its Order in Docket 90-571, the Commission provided such regulations. Key among them is a technical standard that prescribes equal or equivalent access to interexchange carriers. Specifically, it is stated that

TRS users shall have access to their chosen interexchange carrier through TRS, and to all other operator services, to the same extent that such access is provided to voice users.

1.4 Carrier of Choice

In each state, TRS is provided, after a selection/certification or competitive bidding process, by a single carrier, either an interexchange carrier (IC), a local exchange company (LEC), or other (usually non-profit) organization. The regulation prescribing equal access for TRS has been interpreted to require that the TRS provider offer the TRS user the ability to designate the carrier to transport the call. Accordingly, the TRS provider must establish the technical capability and the administrative procedures to route the call to the designated transport carrier. Similarly, the transport carrier must be able to recognize the TRS call, complete the call to its destination, and obtain sufficient call detail information to accurately rate and bill the call. With such an arrangement, the established connection will link the calling party to the called party, through the TRS platform and the facilities of the transport carrier. The Communications Assistant (CA) of the TRS provider will provide the relay function.

2.0 Needs and Objectives

2.1 Rating of TRS Calls

Several State Commissions have mandated that TRS calls be discounted. Such discounts must be provided not only by the TRS provider, but also by any other carrier that is involved in transporting the TRS call. Accordingly, if a call is routed by the TRS provider to a transport carrier, the transport carrier must be able to identify the call as a TRS call in order that the appropriate discount can be applied.

2.2 Efficiency

It is desireable that the TRS provider be able to route the call to the designated transport carrier in as efficient a manner as possible. The need for such efficiency implies that the

^{*}The ability of the end user to designate a carrier of choice for intraLATA toll or intraLATA local calls may be subject to state regulatory rulings. Accordingly, in some states, such calls may have to be directed to the LEC (See Section 7.5).

transport carrier receive, through available network signaling, all necessary information to complete the call. This information includes the identification of the call as a TRS call, the end user calling number, and the called number. Moreover, it is desireable that any additional information further describing the nature of the calling line (e.g., hotel/motel, payphone, etc.) be provided.

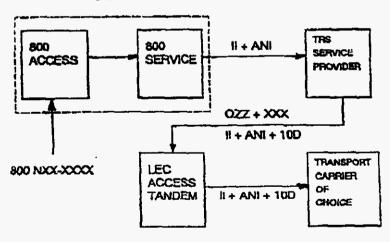
Calls not requiring operator assistance should be routed to the transport carrier's nonoperator switch. That is, calls where alternate billing (card, collect, third party) is not
requested by the calling party should not involve the operator services position of the
transport carrier. When alternate billing is requested, the interaction between the CA and
the transport carrier operator should be kept to a minimum. Again, as much information
as possible should be provided to the operator services position of the transport carrier
through network signaling.

Efficient provision of routing to the transport carrier will minimize the call set-up time associated with the TRS call. Minimal call set-up is necessary to better meet the requirement of functional equivalency to non TRS connections.

3.0 Nerwork Architecture

3.1 General

The suggested network architecture to effect carrier of choice is shown in the figure below. A key feature of the architecture is the capability within the TRS platform which allows the platform to outpulse in an equal access signaling format to a LEC access tandem switch. This capability takes advantage of known access network capabilities and arrangements to effectively provide connectivity to the requested transport carrier.



NETWORK ARCHITECTURE FOR CARRIER OF CHOICE

It is recognized that some of the capabilities described as well as the necessary access trunking are not now in place and will have to be deployed to comply with the proposed architecture. Further, it is understood that this network architecture cannot be used for certain calls (see Section 7.5). Finally, as stated in the introduction (Section 1.1) the decision to implement these arrangements and the timetable in which these arrangements are deployed, are likely to be based on business and regulatory concerns.

3.2 Access to the TRS Platform

Connection of the end user (calling party) to the TRS platform is typically provided through the use of an 800 number. The 800 service which routes the call to the platform should be configured to deliver to the TRS provider the 10 digit calling number (ANI). In addition to the calling party number, the 800 service should deliver to the platform the ANI II digit pair associated with the calling line.

3.3 Selection of Carrier of Choice

After connection to the TRS platform, the end user will provide to the CA — either verbally or through use of a TT — the called number, the type alternate billing required, if any, and, if desired, the carrier the caller wishes to route the call.

3.4 The Use of Feature Group D Signaling

The TRS Platform will route the call to the requested carrier by generating an equal access (FG D) signaling message to an appropriate, originating LEC access tandem switch. Originating FG D signaling through an access tandem uses a two stage outpulsing sequence with the first stage of the form "OZZ XXX" where OZZ is used to specify a particular trunk group and XXX is the carrier code." The calling number (ANI) including the ANI II digits and the called number are provided in the second stage of outpulsing.

3.5 The Use of Unique II Digit Pairs

It is necessary that the carrier of choice (the transport carrier) recognize the call incoming to its network as a TRS call. To effect this recognition through network signaling, new ANI II digit pairs must be defined and assigned to identify TRS calls. Because the transport carrier requires information regarding the nature of the calling line, reflecting, for example, the need for a particular billing treatment, multiple II digit pairs are necessary. Accordingly, the use of these new II digit pairs will identify the incoming call as a TRS call with no billing restrictions (i.e., bill to the calling number) or a TRS call in

** The current industry plan of record calls for the expansion of FG D Carrier Identification Codes (CIC) from 3 digits (XXXX) to 4 digits (XXXXX) during the first half of 1995.

^{*} Requests have been made for the assignment of an N11 code for TRS access. Because the industry has not yet acted upon this request, technical considerations associated with N11 access for TRS are not discussed in this paper.

which some alternate billing arrangement must be used. Specific definitions of these new ANI II digit pairs are given in Section 6, below.

It should be recognized that the II digit pair sent by the TRS platform to the carrier of choice will not be the II digit pair originally associated with the calling line and initially received by the TRS platform. Rather, the TRS Platform must map the II pair of the calling party's line to one of the new II digit pairs assigned for TRS use.

3.6 Call Flows

The following are descriptions of the call processing necessary to establish and complete a TRS call.

3.6.1 TRS Call Billed to the Calling Line

Consider a TRS call made from a residence line where the caller wishes to have the call completed over a specific carrier's network, and not the network of the TRS provider. Moreover, the call is to be billed to the calling line.

Typically, the calling party would access the TRS Platform by dialing an 800 number. The call would be completed and, because of the manner in which the (800) service was provisioned, the TRS platform would receive the calling party number (ANI) and the associated II digits (in this case 00). The calling party will communicate with the CA, informing the CA of the called number and the choice of carrier. The CA, recognizing (through the II digits) that call is made from an unrestricted line and that no alternate billing (e.g., card, collect) has been requested would assume that the call is to billed to the originating line.

The CA would initiate the call to the designated carrier causing an equal access signaling message to be transmitted from the TRS platform to the appropriate LEC access tandem switch. Contained within the signaling message is the information indicating the carrier to which the call should be routed. The second stage of the signaling message contains both calling and called party number, including the (new) II digits indicating that the call is a TRS call and that there are no billing restrictions on the calling line. The call would be completed by the transport carrier with the necessary call detail indicating the use of TRS, thereby permitting the transport carrier to apply the appropriate rate treatment.

3.6.2 TRS Call with Alternate Billing

A call will be designated as an alternate billed call either because the calling party has requested such treatment or the CA, based on an indication from the calling line II digits, recognizes that the call cannot be treated as sent paid. In either event, the call would reach the TRS platform as previously described in Section 3.6.1.

The CA, after determining that alternate billing is required, will initiate the call to the specified carrier as if the call were dialed 0+. Carrier identification will again be realized through the first stage of FG D signaling through a LEC access tandem. The calling party number information will contain the necessary II digit pair indicating a TRS call from either a restricted or unrestricted line. Because the call was dialed 0+, the call will be routed to the operator services position of the designated carrier where the appropriate call treatment (card, collect, third party) can be provided.

4.0 Capabilities of the TRS Provider

As indicated in the above call flows, the TRS platform and/or the CA must provide several specific capabilities in order to effect the desired call processing.

- Receive the ANI of the calling line
- Receive and interpret the ANI II digits of the calling line
- Recognize the routing needs (e.g., 1+, 0+) of the calling party
- Map the calling line II digits to the TRS II digits as appropriate
- Route the call to the carrier of choice using FG D signaling through a LEC access tandem switch. (Access facilities to connect the TRS platform to the appropriate access tandem must be in place)
- Provide all necessary additional information to the carrier of choice (e.g., card number, collect, third party)

In addition, it is the responsibility of the TRS provider to inform all ICs operating in a given state (where the TRS provider offers service) of the location of specific access tandem switches through which "carrier of choice" traffic will be distributed. Moreover, the TRS provider is also responsible for informing the industry relative to the activation by the 'IRS provider of any newly assigned ANI II digit pairs which will necessarily be forwarded to a selected carrier of choice.

5.0 Capabilities of the Transport Carrier

Similarly, the transport carrier must also support several features to allow the efficient implementation of carrier of choice.

- Provision access facilities from the appropriate access tandoms
- Receive FG D signaling at all POPs designated to collect TRS traffic
- Receive and recognize the unique TRS II digits
- Record the necessary call detail information for rating and billing

6.0 Responsibilities of the LEC

The designated architecture for carrier of choice requires that the TRS provider route traffic through a LEC access tandem switch for delivery to the end user's chosen carrier. Accordingly, access facilities should be made available by the LEC to provide the necessary connectivity from the TRS platform to the designated access tandem.

In addition, the LEC should understand that the deployment of the recommended architecture requires that access recording capability be available at the tandem switch which receives traffic from the TRS provider and routes that traffic to the transport carrier. To the extent that access recording capabilities are not available, their development should be considered.

7.0 New ANI II Digit Pairs for TRS

It is suggested that three new II digit pairs be assigned to permit the efficient implementation of TRS and, in particular, carrier of choice.

7.1 TRS II Digit Pair AA*

ANI II digit pair AA indicates that the associated call is a TRS call delivered to a transport carrier from a TRS provider and that the call originated from an unrestricted line (i.e., a line for which there are no busing restrictions). Accordingly, if no request for alternate billing is made, the call will be billed to the calling line.

7.2 TRS II Digit Pair BB'

ANI II digit pair BB indicates that the associated call is a TRS call delivered to a transport carrier from a TRS provider and that the call originated from a restricted line.

Accordingly, sent paid calls should not be allowed and additional screening, if available, should be performed to determine the specific restrictions and type alternate billing permitted.

7.3 TRS II Digit Pair CC*

ANI II digit pair CC indicates that the associated call is a TRS call delivered to a transport carrier from a TRS provider, and that the call originates from a hotel/motel. The transport carrier can use this indication, along with other information (e.g., whether the call was dialed 1+ or 0+) to determine the appropriate billing arrangement (i.e., bill to room or alternate bill).

^{*} Assignment of ANI II pairs AA, BB, and CC as ANI II pairs 60, 67, and 66 respectively was approved at ICCF 28 and subsequently confirmed by the North American Numbering Plan Administrator (NANPA).

7.4 ANI II Digit Mapping

ANI II digit pairs associated with the calling line and received by the TRS platform will have to be mapped into the three II pairs assigned for TRS (AA, BB, CC). The following table suggests such a mapping.*

ORIGINAL II PAIR	DESCRIPTION	TRS II PAIR	DESCRIPTION
00	UNRESTRICTED	AA	UNRESTRICTED
01	MULTIPARTY	AA	UNRESTRICTED
02	ANI FAILURE	BB	RESTRICTED"
06	HOTELMOTEL	∞	HOTEL/MOTEL
07	SPECIAL OPERATOR HANDLING	BB	RESTRICTED
20	AIOD	AA	UNRESTRICTED
23	COIN/NON-COIN UNKNOWN	BB	RESTRICTED
24	800 SERVICE	BB	RESTRICTED
27	COIN	BB	RESTRICTED
61	CELLULAR	BB	RESTRICTED
62	CELLULAR	BB	RESTRICTED
70	COCOT	BB	RESTRICTED
93	VIRTUAL NET	AA	UNRESTRICTED

8.0 Additional Technical Issues

Several additional technical issues must be recognized by both the TRS providers and the transport carriers.

8.1 Trunking to the LEC Access Tandem Switch

The previously described call flows indicate that the TRS provider will deliver traffic to the designated carrier of choice through a LEC access tandem switch. Because the TRS platform may be physically distant from the state it serves, an issue that must be addresed is the location of the LEC access tandem to which the TRS platform will deliver carrier of

[&]quot;The table reflects current ANI II digit assignments. When new ANI II digit assignments are made, the mappings and this table will be expanded accordingly.

^{**} Typically, when ANI failure occurs, the call is directed to an operator for collection of the calling party number. If the calling party number is successfully obtained, and if it is determined that the calling line is unrestricted, the call may be forwarded from the TRS platform as an unrestricted call (i.e., with ANI II AA).

choice traffic. It is possible that such traffic could be offered at a tandem switch and delivered to the designated carrier outside the state in which the call was made.

If this were the ease, at least two difficulties might arise. First, the information provided to the transport carrier necessarily includes the calling party number which indicate the NPA code associated with the originating location. Accordingly, if this call is delivered to a Point of Presence (POP), and ultimately to a switch of the transport carrier in a state far distant from the location of the calling party, that switch will receive and must recognize "foreign" NPA codes which it typically is not expecting. Therefore, screening in these switches, at least on those trunk groups which receive TRS calls, will have to allow such "foreign" codes.

Second, the ANI based screening required to determine specific call treatment (e.g., collect only) or to validate 1+ calling from hotels is based upon internal databases which are regionally deployed. Accordingly, if the call is delivered to the transport carrier at a location distant from the calling party, the relevant information necessary to perform screening may not be present.

It is therefore suggested that routing arrangements be considered so that calls routed from the TRS provider to the designated carrier of choice are delivered to that carrier from a LEC access tandem switch in the state from which the call originated, preferably from the switch that serves the calling NPA.

8.2 800 Database Access

Because 800 service is often used to provide end user access to TRS, it is necessary that any impact of 800 database access, to be implemented May 1, 1993, on TRS be fully understood. Of particular interest should be the need to receive the ANI II digits associated with the originating line and the features within database access which may inhibit this need.

Specifically, there are two situations where 800 Database Access will provide to the TRS platform an ANI II digit pair which does not directly describe the characteristic of the originating line, or will change the II pair associated with the calling line. II 23 will be received by the TRS platform if the access provider cannot determine if the originating line is coin or non-coin. Receipt of II 23 will occur, for example, on some calls originating from non equal access end offices.

Upon receipt of II 23 the CA should attempt to obtain the full (10 digit) ANI of the calling party and the nature of the calling line. If the CA determines that the call can be billed to the calling line, the ANI II digit pair forwarded to the transport carrier could be that associated with a TRS unrestricted call. If the CA is not certain of the nature of the calling line, or is unwilling to take responsibility for that decision, the call should be forwarded to the transport carrier with the ANI II digit pair for a TRS restricted call.

ANI II digit pair 24 is used to indicate that 800 access includes a POTS number translation and will therefore be received by the TRS platform on every call if the 800 service provider has selected this option from the 800 access supplier. If II 24 is received, the CA should again attempt to determine the nature of the calling line. More appropriately, the TRS provider should request of its 800 service provider that POTS translation not be used.

8.3 Inaccessibility of the Designated Carrier

Clearly, the designated transport carrier of choice to which the TRS provider will direct the call must have a Point of Presence (POP) in the area from which the call originates, and must have in place access facilities from the tandem switch to which the TRS provider routes the call. If such access facilities are not in place, the call cannot be directed to the transport carrier and should be routed to the appropriate announcement.

It should be noted that announcement capability may not be available at all LEC tandem switches that will receive TRS (carrier of choice) traffic, possibly causing calls routed to unavailable carriers to terminate in reorder, without explanation to the calling party. Accordingly, it would be advisable for the TRS provider to be aware of the ICs that serve a given state (or area within a state) and are available to receive TRS traffic. Calling parties selecting a carrier known to the TRS provider to be unavailable from the caller's area would be so informed by the TRS provider and asked to make another choice.

8.4 Access to the LEC Operator

Situations may arise in which a calling party making a TRS call needs to access the LEC operator for assistance. Accordingly, the TRS platform should incorporate and support existing interconnection arrangements (e.g., operator inward dialing) and procedures to accommodate this potential need.

8.5 Transfer of TRS IntraLATA Calls to the LEC

As previously explained (Section 1.4) there may be situations where, subject to regulatory directives, intraLATA calls handled by a TRS provider must be routed to the LEC for completion. The network solution described herein cannot be used for such calls. Alternatively, intraLATA calls could be forwarded to the LEC simply by sending the called number to the LEC tandem or end office switch. (If calls are routed by the TRS provider to the LEC for completion, the calls may have to be delivered to a tandem switch in the LATA in which the call originated). Associated billing arrangements, if required, would have to be accommodated on an individual case basis. In any event, should LEC completion of intraLATA TRS calls be required (in some areas, state commissions have authorized TRS providers to complete intraLATA traffic) the arrangements necessary to accommodate this need should be developed through one-on-one negotiations between the TRS provider and the LEC.

8.6 Coin Sent-Paid Calls

A recent FCC Order (CC Docket 90-571, released 2/25/93) ruled that TRS must accommodate coin sent-paid calls. Current TRS access arrangements (i.e. 800 service) and TRS platform capabilities cannot adequately support coin sent-paid traffic as the necessary coin control signaling features, required to monitor the deposit and collection of coins, are not available. Moreover, the difficulties are compounded if the call is handed off from the TRS provider to a transport carrier. In this situation, the coin control capabilities would necessarily have to be transferred to the transport carrier — a capability that again, is not available.

Further, full support of coin sent paid TRS traffic would require a non-voice interface for coin control signaling and the development of the associated industry standards. In addition, changes in customer premises equipment (i.e., coin telphones) would be required to support TT usage on coin calls.

If an industry technical solution for the accommodation of TRS coin sent-paid calls is developed, this document will be ammended to describe the arrangement.

9.0 Alternate Arrangements

A TRS provider and/or a transport carrier, along with the LEC, may choose not to implement the above described capabilities. Although less efficient, there are alternatives to the network solution which could provide the basic carrier of choice feature.

Simplistically, upon a calling party request for transport service from a designated carrier, the TRS provider could launch the call to that carrier using 10XXX access." The call would be routed to the carrier of choice with the ANI and the ANI II digits of the TRS platform. The transport carrier could identify calls from a TRS provider based upon the ANI, and collect the call detail for those calls in a "downstream" process. Call detail information, recorded by the TRS provider, including calling party number could then be provided to the transport carrier, allowing calls completed over the transport carrier's network to be associated with the appropriate calling party. Accordingly, the calls could be rated and billed.

This arrangement would permit a TRS provider to route the call to the calling party's carrier of choice, and would not require the network modifications and access trunking additions described above. This arrangement, however, requires the transfer of billing information outside the normal, automated processes. The

The use of N11 dialing for TRS access, although eliminating the inherent incompanibities associated with coin sem paid and 800 service, would not ,in and of itself, allow the easy implementation of coin sent-paid maffic for TRS.

^{**} At the time FG D Carrier Identification Codes (CIC) are expanded from 3 to 4 digits, the Carrier Acces Code (CAC) will expand from 10XXXX to 101XXXX.

use of essentially manual input to an otherwise automated process is administratively burdensome and is prone to result in lost data and/or errors. Moreover, the abscuce of relevant information (e.g., calling party number, relevant II digits) in real time during call processing could inhibit the transport carrier's ability to properly treat the call, and could potentially increase the possibility of fraud. Accordingly, at least for use in the long term, this alternate arrangement is not recommended.

MAKING A VCO CALL

- Dial the Relay TTY access number
- When the CA answers, request VCO by typing "VCO PLEASE GO AHEAD" or "GA"
- The CA will type, "VCO ON GA"
- Give the CA the number of your called party
- The CA will dial the number of the called party and keep you informed of the status of your call
- When the called party answers, the CA will type [greeting] "GA"
- Begin speaking directly to the called party and say "GO AHEAD" or "GA" to let the party know it is their turn to speak
- The CA will type what the called party is saying and those words will appear on your display screen
- When your called party is finished speaking, the CA will type "GA" to indicate that it is your turn to speak again
- When you are finished with the conversation, say "GOOD BYE" or "SK"
- The CA will let you know that your called party has hung up
- If so, give the CA a new telephone number, if not, end the call by saying "NO THANK YOU, BYE" or "SK"

RECEIVING A RELAY CALL

- When the CA identifies the call as a relay call, type "VCO PLEASE GO AHEAD" or "GA"
- When the CA types "VCO ON GA" begin talking directly to the calling party
- Say "GO AHEAD" or "GA" to inform the calling party it is their turn to talk
- The CA will type the words the calling party is saying and they will appear on your display screen
- Say "GOOD BYE" or "SK" to end the conversation

NO CHARGE TO USE RELAY SERVICES

There is no charge to use your state relay center and no charges for making local calls. Long distance calls are billed as if the calls were made directly without the presence of the relay and are automatically discounted. Various long distance billing options are available no matter who your long distance carrier is.

Telecommunication Relay Service is for everyone to use!

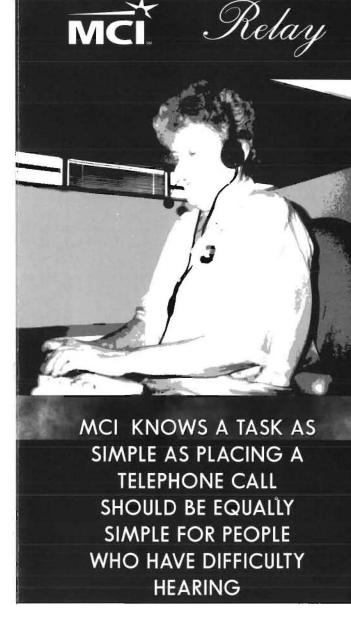
CONFIDENTIALITY OF CALLS

All relay calls are 100% confidential. There is no limitation as to duration, number or nature of relay and VCO calls.

ENHANCED VCO SERVICES

Voice-to- Voice and 2-Line VCO are alternative VCO options that MCI offers to enhance relay utilization. Contact a relay representative for more information on the availability of these features.

To access MCI's Telecommunication Relay Services call us at:



COMMUNICATION





DIFFICULTY HEARING ON THE PHONE IS NO OBSTACLE

Until recently, little could be done to help people with problems hearing on the telephone without the frustation of missing parts of the conversation or worse, hearing sound but misunderstanding the words. If you are receiving limited benifits from hearing aids or an amplified phone try MCl's Telecommunication Relay Services. We may have the solution to your communication needs

TELECOMMUNICATIONS RELAY SERVICE (TRS)

Title IV of the Americans with Disabilities Act requires equivalent access to the telephone network for people who use a TTY (a.k.a. TDD, Text Telephone). The service enables TTY users to communicate by telephone with "voice users" and vice versa.

- The service is available 24 hours a day, every day of the year
- All calls are completety confidential
- CAs keep TTY users informed of the status of the call and ambient noises such as "baby crying in background"



VCO USER



TEXT TELEPHONES (TTYs)

Keeping in touch with others by phone, whether scheduling an appointment or talking with friends and family, does not have to be a frustrating task.

A TTY is a device with a keyboard and a visual display screen. With a TTY you have the option of reading what the other person says if you cannot hear well and you can type what you want to say if you have a speech disability.

Some new TTY's come equiped with a telephone handset. These devices can be used as a telephone, a TTY or for Voice Carry Over relay calls.

With a TTY, (and relay service) people who are hard of hearing or deaf can talk with ease to anyone, anywhere in the world.

With the Relay Service people with normal hearing or speech need no special equipment to talk with those who do.

COMMUNICATION ASSISTANT



HEARING USER



VOICE CARRY OVER (VCO)

VCO, an enhanced feature of MCI's telecommunication relay service, allows TTY users to speak directly to the other party rather than typing their conversation on the keyboard. VCO enables TTY users who are deaf or hard of hearing and who have intelligible speech to communicate by phone with the freedom and ease of having normal hearing ability. And, it allows others the comfort of hearing the TTY user's voice.

1995 ANNUAL REPORT

MCI COMMUNICATIONS CORPORATION

ABOUT MCI

MCI, headquartered in Washington, D.C., is one of the world's largest and fastest growing diversified communications companies. MCI offers consumers and businesses a broad portfolio of services including long distance, wireless, local access, paging, Internet software and access, information services, outsourcing, business software, advanced global telecommunications services, and music distribution and merchandising.

Stockholders who want information in addition to financial reports can contact MCI's Investor Relations Department at 1-800-765-2115 (Internet: 640-5834@mcimail.com)

For information on MCI® products and services contact:

Teleconsumers: 1-800-444-3333 Business Customers: 1-800-937-6000 networkMCI BUSINESS: 1-800-955-5195

Internet: http://www.mci.com

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ON THE BACK COVER:

MCI unveiled its new logo to symbolize its unique competitive position following the passage of the Telecommunications Act of 1996. The new "star-burst" logo represents MCI's heritage as a creator of innovative services for its customers. The logo and its colors — MCI's traditional orange and a vivid blue — illustrate the company's energy and strength as a global communications leader for the New Century.

TO MCI's STOCKHOLDERS:

A REMARKABLE YEAR

By any measure, MCI® had a remarkable year in 1995.

We had outstanding calling volume, revenue growth, operating income and earnings. It is clear that long distance is one of the world's most dynamic and healthy businesses and that MCI continues to lead the growth of our industry.

Perhaps most important of all was how we prepared your company for the future — a future that includes new competitors and the greatest growth opportunity in MCI's history now that the local telecommunications

market is open to competition.

In last year's letter, I said that 1995 would be a pivotal year. It was. We delivered on our goal to grow our core long distance business. We also made great progress in our goal to leverage the core business into contiguous markets and to integrate digitized content and delivery.

In 1995, MCI became much more than a long distance company. We became one of the world's most Bert C. Roberts, Jr. diversified communications corporations. We made strategic investments in areas such as information technology, global services and wireless communications. We also developed in the ways to create and deliver digitized content. We became more because our relationships with our customers have changed and so has the definition of our business.

In the past, MCI had a transactional relationship with our business customers, principally carrying their voice and data traffic. Later, we served a consultative role by helping them design their telecommunications networks. Today, as the needs of our customers have changed and our portfolio of services has grown, we have become their strategic partner, integrally linked with our customers' businesses.

Our relationship with customers in the residential market also has changed. Consumers are increasingly using sophisticated MCI services such as electronic mail and paging.

No company has been as aggressive or effective as MCI in providing customers with new products and services. And our ability to innovate, to market new products, and to continue to address the marketplace better and faster than others will ensure our success in the future as it has in the past.

Success in the telecommunications market is no longer a simple matter of price. Success today is about meeting complex customer needs with valuable services — something MCI has been doing since its inception.

STRONG RESULTS

\$1.32 for 1994.

We certainly pleased our customers in 1995, as evidenced by another year of record revenue. And, as our stockholders asked us to, we have begun reporting our core business and ventures and developing markets separately.

For the full year, revenue was \$15.3 billion, an increase of \$2 billion, or 14 percent, over 1994 revenue of \$13.3 billion.

The core business drove this growth with revenue of \$15 billion, which was a 13 percent increase from 1994.

Excluding special charges, overall net income rose to \$1.1 billion in 1995, a 20 percent increase over 1994 net income of \$887 million. Earnings per share was \$1.55, a five percent increase over \$1.47 for 1994, excluding charges in both years.

Operating cash flow grew to \$3 billion, a 26 percent increase over \$2.4 billion in 1994. This improvement resulted from new efficiencies in our business, largely from efforts to streamline our operations, which began in the third quarter of 1995, MCI recorded

from efforts to streamline our operations, which berts, Jr. began in the third quarter of 1995. MCI recorded special pretax charges of \$831 million as part of our restructuring actions. Including these charges and charges recorded

MCI's marketplace is full of positive trends. It is clear that communications are increasingly being used by people to conduct their everyday lives. Our growth has come from our agility and the quickness with which we identify and capitalize on these trends.

in the prior year, 1995 earnings per share was 80 cents versus

In 1995, a full one-third of the new customers we gained in the residential market came to us through newly introduced brands.

MCI also had a combined 20 percent increase in revenue from products such as 1-800-COLLECT®, calling cards and 800 numbers. The enhanced Friends & Family® brand enjoyed another strong year as well.

Business markets had strong growth in 800 and international services. Data services revenue exceeded \$1.5 billion in 1995, a 34 percent increase in revenue over 1994. In the near future, our business customers will transmit more data traffic than they do voice traffic. This is a very significant change in the way customers are transmitting information, and our data services have expanded to reflect this trend.



TELECOMMUNICATIONS LEGISLATION: THE GREATEST OPPORTUNITY IN MCI HISTORY

On February 8, 1996 — a day we declared "Independence Day" for local telephone customers — President Clinton signed legislation that reforms antiquated laws which have been on the books for more than 60 years.

This legislation opens to competition a massive, \$500 billion communications and information market with exploding growth potential. The players in this market will use innovative new products and services and increased geographical reach to literally change the way the world communicates and functions. The new, highly advanced services that competition will create will produce still more demand, more services, and more growth for the successful companies operating in this market.

For MCI, the opening of the local telecommunications market represents the greatest opportunity in our history. The last time we faced a similar opportunity was in 1985 — the year "equal access" freed customers from dialing extra numbers to place their long distance calls. Then, we looked at competing in a \$46 billion long distance market, which has grown into a \$75 billion market. Now, the newly opened local market is more than \$94 billion and is estimated to grow to \$128 billion by 2002.

Not only does MCI now have an extraordinary revenue opportunity by offering local services, we have the chance to cut deeply into access costs that are 46 percent of our revenue.

The local market is also as rich as it is big. While operating cash flow for the long distance industry is a healthy 20 percent, the seven regional Bell operating companies (RBOCs) have an operating cash flow of 46 percent.

One of MCI's distinguishing characteristics is how we view customers. We don't have the inherited customer base of a monopoly — we fought for every customer we have. And, over the last five years, the company has captured nearly 40 percent of the entire growth of the long distance market, which has more than 500 competitors. Maybe that's why MCI is often characterized as our industry's best marketer.

We have a variety of ways to pursue the vast local market, including partnering with other companies to construct and use an alternative local network. We can also enter into discounted resale agreements with the RBOCs.

Finally, we have the resources of MCImetroSM. At the end of 1995, MCImetro had 38 local city networks operational in 25 major U.S. cities with 10 local service switches installed. MCImetro currently has regulatory approval as a competitive local exchange carrier in 15 states, with applications pending in five additional states. We will use MCImetro to expand the delivery of enabling technologies to our customers, and to drive access cost reductions.

LEVERAGING THE CORE BUSINESS INTO CONTIGUOUS MARKETS

Contiguous markets are markets in which our services can be integrated with the MCI network and support systems and delivered to customers in a valuable package. In 1995, we made key investments to broaden our portfolio of services.

In September, we purchased Nationwide Cellular Service, Inc., the largest independent reseller of cellular phone service in the country, for approximately \$210 million. While others are investing billions in wireless infrastructure, the acquisition of Nationwide and other agreements have given us access to more than 75 percent of the U.S. population, including all of the top 100 U.S. markets. We accomplished this for a fraction of the cost of a massive build-out.

We introduced consumer and business customer cellular services in 1995. Our business service is initially available in top 10 markets and will be expanded nationally.

Cellular service can be integrated with our other wireless product: paging. MCI had tremendous success in the marketing and selling of paging products in 1995. In our first year of offering service, MCI became the fastest growing provider of pagers in the country.

One of the most promising opportunities for MCI is in professional services and information technology (IT), which combined will be a \$250 billion market in 1999. This market includes call center outsourcing, network and computer consulting and systems integration.

MCI has already used our skills in operating the world's most technologically advanced call centers. We are providing services to customers such as Reader's Digest and Compaq. We are also providing customer service for Microsoft's Microsoft Network.

In November 1995, MCI acquired SHL Systemhouse Inc. for approximately \$1.1 billion to offer customers a wide range of computing consulting and outsourcing services.

MCI is combining our network products with SHL's computing, consulting, and outsourcing expertise. SHL has more than 6,000 IT professionals and staff and is a recognized leader in helping customers transform their earlier generation mainframe technology to advanced client/server systems.

MCI and SHL have already introduced a suite of Enterprise Management Services to address customers' network, computing and systems requirements. For example, in early 1996 we installed a new system to handle all emergency 911 calls in the five boroughs of New York through a system built by SHL.

SHL will also serve us well in marketing and selling services through our alliance with Microsoft, which was announced in January 1996.

MCI and Microsoft will jointly develop and market a variety of Internet and network services. The alliance aligns two tremendous forces: MCI's marketing and network distribution capabilities and Microsoft's strength in the computer software and applications market. The net result is that customers will be able to get state-of-the-art networking and Internet capabilities packaged with a variety of other MCI services.

Our investments should give you an understanding of why I am so optimistic about our future not only in the U.S., but around the world.

In 1995, Concert*— the joint venture company formed by MCI and British Telecommunications plc, which is providing worldwide voice and data services for multinational customers — continued to build on its substantial industry lead. Concert has quickly established itself as the premier international alliance, and the Concert network is deployed in more than 50 countries. MCI and BT also have more than \$1 billion in contracts and 2,500 customers of services such as Concert Virtual Network Services, Concert Frame Relay Service, and Concert Packet Services.

In Mexico, AVANTEL®, MCI's joint venture with Grupo Financiero Banamex-Accival (Banacci), is progressing very well. We began construction of a 3,200 mile fiber-optic network in 1995 that will connect Mexico City, Monterrey, Guadalajara, and 30 other Mexican cities. In fact, by the end of the first quarter, we will have 75 percent of network construction completed.

When the \$7 billion Mexican telecommunications market opens for competition in August 1996, the joint venture will offer a full range of domestic and international business services. We will offer full switched long distance services for the entire market beginning in January 1997.

INTEGRATING DIGITIZED CONTENT WITH DELIVERY

Powerful content is driving the need for expanding bandwidth requirements. We see the integration of content creation and its delivery as a very important element in serving customers. That's why we've invested in and partnered with The News Corporation Limited.

News Corp. is the premier global creator and distributor of content. Its properties include the Fox Broadcasting Network; Twentieth Century Fox movie studio; HarperCollins publishing; more than 130 English-language newspapers and magazines, including TV Guide; BSkyB, the leading pay subscription satellite TV service in the U.K.; and STAR TV satellite service, which reaches two thirds of the world's population.

*Concert is a mark of the Concert Communications Company.

MCI has the unique opportunity to take advantage of the incredible abundance of News Corp. properties. We can use News Corp.'s expertise to develop new services that can be delivered online or through digital satellite. In January, MCI won the last satellite license that spans across the entire U.S. for \$682 million.

Together with News Corp., we will be able to offer a distribution service not only in the continental U.S., but around the globe by late 1997. News Corp.'s vast experience will serve us well in offering specialized information and entertainment programming to the home. We also intend to exploit many untapped business market applications, such as delivering software, corporate information, distance learning and training programs.

GREAT OPPORTUNITY AHEAD

Throughout our history, MCI has done what others thought was impossible.

In addition to identifying and seizing big market opportunities in the long distance industry, we've actually created new markets by introducing competition where none previously existed. Two recent examples are call center outsourcing and the collect calling market.

Today a large new opportunity is ahead of us. To succeed, we will do what we always have done — use our creativity to develop new markets and capture opportunities with our unique energy and spirit.

We plan to continue to leverage our creative advantages and to join with powerful partners. We will also implement our ideas better and faster than anyone else through our "infostructure," which combines our marketing and merchandising ability, databases, customer service platform and distribution channels.

With the momentum of our performance and these strengths, we can confidently answer the question of how we will continue our tremendous record of success in the new communications and information market.

We know the game we're in because we've been here before. In fact, we helped create it.

Now is the time for MCI to again do what we instinctively do best — create, compete and win.

Bert C. Roberts, Jr.

Chairman and Chief Executive Officer

Best Robert 1

February 24, 1996

SELECTED FINANCIAL INFORMATION

Year ended December 31,	1995	1994	1993	1992	1991
(In millions, except per share amounts and employees)					
RESULTS OF OPERATIONS					
Revenue	\$ 15,265	\$ 13,338	\$ 11,921	\$10,562	\$ 9,491
Total operating expenses	(14, 147)	(11,882)	(10,653)	(9,351)	(8,400)
Income from operations	1,118	1,456	1,268	1,211	1,091
Equity in income (losses) of affiliated companies	(187)	(4)	(2)	(2)	(1)
Income before extraordinary item	548	795	627	609	551
Net income	548	795	582	609	551
Earnings applicable to common stockholders	548	794	581	589	522
Earnings per common and common equivalent share	.80	1.32	1.04	1.11	1.00
Cash dividends per share	.05	.05	.05	.05	.05
BALANCE SHEET					
Gross investment in property and equipment	\$ 15,547	\$ 13,408	\$ 11,618	\$10,316	\$ 9,684
Total assets	19,301	16,366	11,276	9,678	8,834
Long-term debt	3,444	2,997	2,366	3,432	3,104
Stockholders' equity	9,602	9,004	4,713	3,150	2,959
CASH FLOW					
Cash from operating activities	\$ 2,979	\$ 2,355	\$ 1,978	\$ 1,726	\$ 1,271
Capital expenditures for property and equipment	2,866	2,897	1,733	1,272	1,377
Acquisition (disposition) of businesses and					
investment in affiliates and News Corp.	2,737	284	- 8	(22)	
OPERATIONS					
Capacity circuit miles	6,786	4,767	3,556	2,107	1,888
Billable calls	23,365	19,411	16,484	14,245	12,189
Number of full-time employees	50,367	40,667	36,235	30,964	27,857

In September and November 1995, the company acquired all of the outstanding shares of common stock of Nationwide Cellular Service, Inc. and SHL Systemhouse Inc., respectively. These acquisitions were accounted for as purchases; accordingly, the net assets and results of operations of the acquired companies are included in the information above since their respective acquisition dates.

In 1994, British Telecommunications plc (BT) completed the purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This was achieved by the issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock. This investment is reflected in stockholders' equity.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

The company operates predominantly in a single industry segment, the telecommunications industry. The industry consists of a wide range of telecommunications services to residential and business customers, including domestic and international long distance voice and data services, teleconferencing and electronic messaging services, which are the markets in which the company has historically operated (core business). Management has embarked on a strategy to expand the company's business into certain developing markets, including the local, wireless, information technology and multimedia markets, which is discussed in further detail in the Enterprise Reporting section of Management's Discussion and Analysis.

FINANCIAL SUMMARY

In 1995, total revenue grew \$1.9 billion or 14% over the prior year versus \$1.4 billion or 12% in 1994. Revenue from the company's core business grew \$1.7 billion or 13% and traffic increased 16% over 1994. The company's revenue growth from its core business in 1995 was approximately 33% of the total long distance industry growth, estimated to be approximately \$5 billion.

	1995 vs. 1994	1994 vs. 1993
Increase in core		
business revenue	13%	t2%
Increase in traffic	16%	12%
Revenue to traffic variance	(3)%	-%

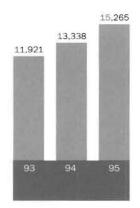
In 1995, the company's variance of (3)% between revenue growth and traffic growth in the core business was due primarily to growth in large account and carrier market traffic, which typically carries both a lower average revenue rate and lower overall costs, and due to increased volume and promotional discounts for consumer market customers. International growth of 33% in 1995 and 20% in 1994 continued to affect the revenue to traffic variance favorably.

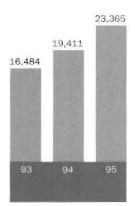
Income from operations decreased 23% to \$1,118 million in 1995, which followed a 15% increase in 1994. In 1995, 1994 and 1993, operating income was affected by special pretax operating charges of \$736 million, \$133 million and \$150 million, respectively. Excluding these charges, which are discussed below, operating income and margins would have been \$1,854 million or 12.1% in 1995; \$1,589 million or 11.9% in 1994; and \$1,418 million or 11.9% in 1993.

REVENUE

in millions of dollars

BILLABLE CALLS in millions



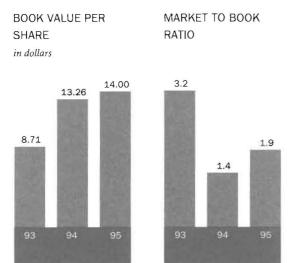


Earnings were \$548 million or \$.80 per share for 1995; \$794 million or \$1.32 per share for 1994; and \$581 million or \$1.04 per share for 1993. Excluding special items in 1995, 1994 and 1993, and an extraordinary loss on early debt retirements in 1993, earnings per share would have been \$1.55, \$1.47 and \$1.28, respectively. The September 1994 issuance of 136 million shares of Class A common stock to British Telecommunications plc (BT) had a full year dilutive impact on earnings per share in 1995 versus 1994 and 1993. In 1995, earnings per share was also negatively affected by the results of the company's recent business acquisitions and investments in ventures and developing markets.

In 1994, BT completed its purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This was achieved by the issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock.

During the third quarter of 1995, the company implemented a reorganization designed to increase efficiency, enhance marketplace effectiveness and improve business focus. The reorganization was largely in response to the rapid changes in business scope, technology and regulation affecting the telecommunications industry. The company consolidated its core business and centralized major administrative functions. The core business includes network operations, information systems and the former Business Markets and Consumer Markets groups. In connection with the reorganization and other third quarter 1995 events, the company recorded special pretax charges of \$831 million. After the applicable tax benefit, the charge resulted in a reduction to earnings of \$518 million, or \$.75 per share.

In 1994, the company recorded special pretax items totaling \$148 million, which related primarily to reduced utility of older asynchronous fiber-optic transmission equipment and product launch costs. In 1993, the company recorded a special pretax charge of \$150 million primarily associated with a strategic realignment and streamlining of engineering and network operations. Also, 1993 results included an extraordinary loss of \$45 million, net of tax benefit, for the early retirement of debt.



BUSINESS ACQUISITIONS AND INVESTMENTS IN VENTURES AND DEVELOPING MARKETS

In November 1995, the company acquired all the outstanding shares of SHL Systemhouse Inc. (SHL) for U.S. \$13 per share or approximately U.S. \$1.13 billion. The company anticipates that SHL, a Canadian corporation which provides information technology services to commercial and government enterprises, will provide it with the ability to design, build and manage information solutions that integrate computing and communications technologies for its business customers.

In September 1995, the company acquired all the outstanding shares of Nationwide Cellular Service, Inc. (Nationwide) for approximately \$210 million. The acquisition of Nationwide represents part of the company's strategy to provide wireless services integrated with other company services for both consumer and business customers. In addition, during 1995, the company negotiated agreements with a number of cellular companies to purchase wireless services for resale. These agreements, including arrangements that Nationwide has with other cellular carriers, give the company the ability to market wireless services in the top 100 U.S. markets.

In August 1995, the company made an initial investment of \$1 billion in The News Corporation Limited (News Corp.). The investment was comprised of (i) an aggregate of 51 preferred shares of two U.S. subsidiaries of News Corp. (News Triangle Finance, Inc. and News T Investments, Inc.) with a stated value and liquidation preference of \$850 million and bearing a dividend rate of 5.147% (which is eligible for the dividend received deduction under current income tax laws) and (ii) a four year warrant (purchase price of \$150 million) to acquire up to approximately 155 million News Corp. ordinary shares for \$850 million. The exercise price of the warrant is payable, at the company's option, in cash, through the surrender of the preferred shares or a combination of both. In addition, the company has an option for five years to invest an additional \$1 billion under the same terms and for the same consideration as its initial investment. Under certain circumstances, News Corp. shall have the right to cause the company to make the additional \$1 billion investment or a portion thereof. In January 1996, News Corp. exercised a portion of this right by requiring the company to invest \$350 million in the first half of 1996. As a result of the alliance with News Corp., the companies are working together on the formation of ventures in the multimedia service arena, including a direct broadcast satellite (DBS) venture.

During 1995, the company also invested a total of approximately \$800 million in other ventures and developing markets, including Concert Communications Company (Concert), AVANTEL S.A. de C.V. (AVANTEL) and McImetro, Inc. (McImetro). Furthermore, in January 1996, the company and Microsoft Corporation announced their intent to enter into a strategic alliance to jointly market and develop a range of services in the on-line, Internet and networking markets.

These acquisitions and investments are discussed in more detail in the Enterprise Reporting section.

CURRENT LEGISLATION

On February 8, 1996, the Telecommunications Act of 1996 (the Act) was signed into law. This legislation constitutes the most comprehensive revision of the United States' communications policies in more than 60 years. The Act eliminates legal barriers to competition in the local telephone market and, at the same time, contains provisions intended to protect consumers and businesses from unfair competition by the seven regional Bell operating companies (RBOCs). The RBOCs will be able to offer long distance services outside their regions immediately, but will be barred from offering in-region long distance services until they have opened their own markets and face facilities-based local competition. Further, the entry of an RBOC into the long distance market in its region requires the approval of the

Federal Communications Commission (FCC) which, in consultation with the Department of Justice, must find such entry to be in the public interest. With the passage of the legislation, the company can enter local telephone markets by building new facilities, reselling local network capacity, and partnering with other new market entrants, including other long distance companies. It is too soon to determine the legislation's eventual impact on the company's financial position and results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation." SFAS 123 establishes financial accounting and reporting standards for stock-based employee compensation plans and is effective for fiscal years beginning after December 15, 1995. The company expects to continue to apply the accounting provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in determining its net income. However, beginning in 1996, additional disclosures will be made about the estimated compensation expense under the method established by SFAS 123.

RESULTS OF OPERATIONS

REVENUE

In the business market, revenue and traffic showed continued growth in 1995 and 1994, which was driven by increases in most segments, particularly mid-sized customer, large account and carrier segments. Revenue increases in 1995 were primarily attributable to growth in data products, which grew 34% in 1995, as well as the continued success of the company's virtual private network product (Vnet®), MCI Vision® and 800 services. The 1994 revenue growth was largely in 800 revenue, which resulted, in part, from the FCC's 800 service number portability ruling, which took effect in May 1993, and in data revenue, which increased 35% in 1994, in part, from the company's purchase of BT North America Inc. in January 1994.

In the consumer market, revenue and traffic growth in 1995 and 1994 was driven by the company's Friends & Family products, collect-calling product (1-800-COLLECT), calling card products and consumer 800 number products.

In 1995, revenue of acquired companies contributed to approximately 10% of the company's consolidated year-over-year revenue growth.

TELECOMMUNICATIONS

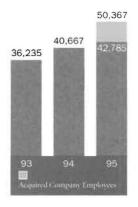
The principal components of telecommunications expense are the cost of access facilities provided by local exchange carriers and other domestic service providers, and payments made to foreign telephone companies (international settlements) to complete calls made to foreign countries from the U.S. by the company's customers. In the core business, telecommunications expense as a percentage of revenue declined to 51.9% in 1995 from 52.1% in 1994 and 53.7% in 1993 due to reductions in domestic access and international settlement rates. The decline from 1993 was also a result of efficiencies resulting from operator services automation.

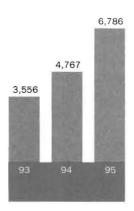
SALES, OPERATIONS AND GENERAL

Sales, operations and general expenses increased as a percentage of revenue to 29.5% in 1995 from 28.4% in 1994 and 27.8% in 1993. The year-over-year increases primarily related to special charges of \$216 million in 1995, discussed below; \$70 million for the launch of networkMCI BUSINESS™ in 1994; and the \$150 million realignment charge in 1993. The 1995 sales, operations and general expenses also include the cost of hardware and licensed software of approximately \$64 million, which related to information technology services revenue of SHL since its acquisition in November 1995. Excluding these costs and the special charges, sales, operations and general expenses would have been 27.7%, 27.9% and 26.5% of revenue in 1995, 1994 and 1993, respectively. The 1995 decrease in these expenses as a percentage of revenue was primarily due to cost savings associated with reorganization efforts, while the increase in 1994 was primarily due to higher personnel costs, higher levels of advertising and related sales and marketing expenses.

NUMBER OF FULL-TIME EMPLOYEES

CAPACITY
CIRCUIT MILES
in millions





DEPRECIATION

Depreciation expense increased year-over-year by \$132 million or 11% in 1995 and by \$206 million or 21% in 1994. These increases were primarily a result of additions to the communications system network, which were made in order to increase network capacity, redundancy and reliability. The 1995 depreciation expense reflected depreciation savings associated with the asset write-down discussed below. Depreciation expense in 1994 also included a \$63 million special charge to recognize the reduced utility of older asynchronous fiber-optic transmission equipment and to reflect the results of an asset utilization review. The company expects depreciation expense to continue to increase with the expansion of its communications system network.

1995 SPECIAL CHARGES

As previously mentioned, the company recorded special pretax charges of \$831 million during the third quarter of 1995. The charges were comprised of the following three major components.

The company recorded a \$520 million charge for an asset write-down, which reflected a decline in value of certain of the company's assets caused by changes in the business and technology strategy. The write-down primarily related to communications systems and administrative assets that have become redundant or were no longer aligned with strategic product offerings. The amount of the write-down was measured in conformity with the Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which the company adopted in the third quarter of 1995. Under this standard, charges were taken for the difference between the current carrying value and the estimated fair value of such assets at the expected disposal date. In the company's case, the fair value of most of the assets covered by this write-down was deemed to be salvage value. Disposal or abandonment of substantially all of these assets occurred by December 31, 1995.

The company also recorded a \$216 million charge in sales, operations and general expenses, which related primarily to reorganization costs. These costs included approximately \$50 million of severance associated with a workforce reduction, \$55 million of lease obligations and penalties associated with vacating facilities, and \$45 million of costs to modify and terminate contracts associated with changes in the business organization and strategic product offerings. The remainder of the charge included other costs associated with the company's business reorganization and certain legal costs. The company

expects to reduce its workforce by approximately 2,800 employees, of whom approximately 2,400 had left the company at December 31, 1995. The remaining employees are expected to leave during the first half of 1996. The terminated employees, which included management and nonmanagement, were primarily sales, support and systems engineering personnel located at business administrative and operations sites. The company abandoned excess and duplicate facilities at various business and operations locations due to automation, workforce reductions and centralization.

As of December 31, 1995, the company had incurred \$55 million of the accrued reorganization costs with the majority of the remaining costs to be incurred during 1996. The remaining accrual is primarily comprised of costs associated with lease obligations, severance, modification and termination of contracts, other business reorganization costs and certain accrued legal costs. The reorganization accrual is charged when applicable severance payments are disbursed, or when rental expense is incurred or lease termination costs are disbursed, or when contract settlements are completed and payment is disbursed. Other costs are charged as incurred. Cash expenditures for these expenses were and will continue to be funded from cash from operations.

In addition, the company recorded a charge of \$95 million in equity in income (losses) of affiliated companies, which related to several investees where restructuring plans were implemented in the third quarter of 1995 or where product offerings were not expected to generate future cash flows sufficient to recover current carrying values

As a result of the reorganization, the company expects to realize annual savings of approximately \$100 million in sales, operations and general expenses. The depreciation savings from the asset write-down will partially offset increases in depreciation expense from continuing additions to the communications system.

OTHER

Interest expense decreased in 1995 and 1994 from prior years. During 1995, the company issued and assumed new debt balances as a result of the purchase of SHL in November 1995. The increase in average debt balances and higher interest rates increased interest costs in 1995 and 1994; however, these increases were more than offset by increased capitalized interest due to the company's increased investment in its communications system.

Interest income increased significantly in 1995 and 1994 from 1993 due to the investment of the DT proceeds received in September 1994. Interest income declined in the fourth quarter of 1995 and will continue to decline in 1996 as cash is used to fund the company's business acquisitions and its investments in ventures and developing markets.

Other expense, net, decreased by \$37 million in 1995, which reflected a \$25 million charge recorded in 1994 in connection with the settlement of two class action suits and the dividend income of \$18 million from News Corp. recorded in 1995.

EQUITY IN INCOME (LOSSES) OF AFFILIATED COMPANIES
The company's equity in losses from its investment in affiliates, exclusive of the aforementioned special charge impact, was \$92 million in 1995. The majority of the 1995 losses were attributable to Concert and In-Flight Phone Corporation.
Equity in losses of affiliated companies was \$4 million in 1994, which included Concert losses that were partially offset by a gain on the sale of the company's equity investment in AAP
Telecommunications Pty. Ltd. The company expects losses to continue in 1996 due to the start-up nature of these and other investments in ventures and developing markets as discussed in the Enterprise Reporting section.

WEIGHTED AVERAGE SHARES

Weighted average shares increased approximately 14% in 1995 due to the issuance to BT in September 1994 of 108.5 million shares of Class A common stock.

ENTERPRISE REPORTING

The company has invested in ventures and developing markets outside of its core business through acquisitions, alliances and other strategic initiatives in the local, wireless, information technology, international and multimedia markets. Investments in these ventures and developing markets are included in the company's financial statements as consolidated subsidiaries, unconsolidated equity investments, or cost method investments such as News Corp.

This section segregates the performance of the company's core business from its investments in ventures and developing markets business. The following unaudited information was prepared using all amounts included in the company's consolidated financial statements and reflects estimates and allocations that management believes provide a reasonable basis on which to present such information. The revenue and income amounts include sales of services between the core business and the ventures and developing markets business based upon prevailing market rates. Administrative expenses are allocated to the respective enterprises on a fully distributed basis reflective of actual utilization. Net interest expense is fully distributed based upon proportionate debt levels reflecting the cash flow of the respective enterprise commencing on October 1, 1995. Prior to October 1, 1995, all debt was allocated to the core business

except for amounts allocated to support the acquisition of Nationwide and the investment in News Corp. The consolidated income tax provision and related tax payments are allocated to each enterprise based on its tax attributes.

FINANCIAL SUMMARY

For the year ended December 31, 1995, net income (loss) for the core business and the ventures and developing markets business was \$757 million and \$(209) million, respectively. EBITDA (earnings before interest, taxes, depreciation and amortization), excluding other income (expense) and equity in income (losses) of affiliated companies, was \$2,992 million for the core business and \$(46) million for the ventures and developing markets business for the year ended December 31, 1995. EBITDA, a measure of the company's ability to generate cash flows, should be considered in addition to, but not as a substitute for, or superior to, other measures of financial performance reported in accordance with generally accepted accounting principles. EBITDA, also known as operating cash flow, is often used by analysts when evaluating companies. Operating income (loss) for the core business and the ventures and developing markets business was \$1,226 million and \$(108) million, respectively.

The following table summarizes the financial highlights of these enterprises excluding the aforementioned special pretax charges.

SUPPLEMENTAL ENTERPRISE REPORTING DATA

Year ended December 31, 1995	Core Business	Ventures and Developing Markets
(In millions)		
Revenue	\$14,990	\$365
EBITDA'	3,208	(46)
Operating income (loss)*	1,923	(69)
Equity in income (losses)		
of affiliated companies*	_	(92)
Net income (loss)*	1,191	(125)
Capital expenditures	2,558	308

'Amounts have been adjusted to exclude the impact of the special charges.

The following discussion focuses on significant financial and operational results of the company's ventures and developing markets business.

LOCAL SERVICES

MCImetro, the company's wholly-owned local services subsidiary, provides local fiber-optic capacity and competitive access services to the company's core business and other long distance carriers, large businesses and government users of telecommunications services. MCImetro intends to become a single-source provider of comprehensive local wireline telecommunications services, encompassing voice, data and

enhanced services in key markets as regulatory authorities permit. At December 31, 1995, MCImetro had been granted authority to offer local exchange service in 14 states and had applications for such services pending in six other states.

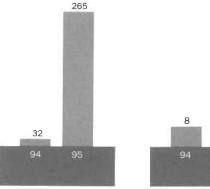
In 1995, MCImetro installed 10 Class 5 local switches and conducted testing of its initial set of local service offerings and support systems. In February 1996, MCImetro offered its initial set of local exchange services in Baltimore, Boston and Detroit. The initial services encompass basic local telephone service, business lines, private branch exchange (PBX) trunks and access services, which provide businesses with high quality dedicated access connections to a long distance carrier or other service provider, as well as enhanced services.

As of December 31, 1995, MCImetro had constructed 38 operational local city networks in 25 cities, which represented an increase of 30 local city networks and 20 cities in 1995. At December 31, 1995, MCImetro had 2,338 route miles and 3,700 right-of-way miles.

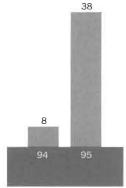
In 1995, MCImetro reported revenue of \$108 million on sales of fiber-optic capacity and competitive access services, of which substantially all was derived from sales to the company's core business. EB: TDA for the year ended December 31, 1995 was \$(15) million and net loss was \$(17) million. For the same period, MCImetro made capital expenditures of \$265 million, which were primarily for the construction of its local city networks and Class 5 switch development.

MCImetro CAPITAL **EXPENDITURES**

in millions of dollars



MCImetro LOCAL CITY **NETWORKS**



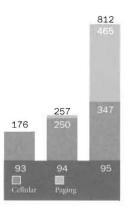
WIRELESS SERVICES

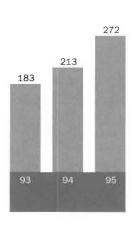
Wireless services revenue for the three months ended December 31, 1995, following the acquisition of Nationwide, was \$82 million, which was derived from cellular and paging services, as well as equipment sales. EBITDA for the same period was \$(5) million and net loss was \$(10) million. At December 31, 1995, the company had approximately 347,000 cellular service subscribers and 465,000 paging service subscribers. The company provides wireless services through resale from facility based wireless service providers.

WIRELESS CUSTOMER BASE*

in thousands

WIRELESS REVENUE* in millions of dollars





*1993, 1994 and 1995 includes Nationwide's operational results prior to acquisition by the company and are shown for comparison purposes only.

INFORMATION TECHNOLOGY SERVICES

Information technology services revenue for the three months ended December 31, 1995, including SHL revenue from the November 1995 acquisition date, was \$126 million, which was comprised of \$62 million of equipment deployment and educational services, \$37 million for consulting and systems integration and \$27 million for outsourcing services. EBITDA was \$1 million and net loss was \$(17) million for same period.

Backlog at December 31, 1995 was \$1.4 billion, the majority of which was from the 10 largest contracts. Reported backlog includes amounts committed under executed contracts or letters of intent. The company expects that approximately 30% of the backlog will be delivered in 1996. Since revenue depends on actual usage under service contracts, which may be subject to termination under certain circumstances, actual revenue for a particular contract may be higher or lower than the reported backlog for such contract.

INTERNATIONAL SERVICES

During 1995, the company invested \$66 million in Concert, a 24.9% owned international services venture with BT, which provides global enhanced telecommunications services for business customers. This represents the company's percentage share of required ongoing capital infusions to the venture. For the year ended December 31, 1995, the company's share of Concert losses reported in accordance with U.S. generally accepted accounting principles was \$(57) million, excluding Concert's special charges. Through December 31, 1995, the company has invested a total of \$145 million since Concert's launch in July 1994. The company intends to continue making contributions to Concert in order to maintain its proportionate interest.

For the twelve months ended December 31, 1995, Concert product sales amounted to approximately \$300 million in revenue to its distributors. Concert services are available through the company, BT and distributors in North America, Europe and Asia. Concert provides a complete portfolio of advanced global communication services to multinational businesses worldwide, which include virtual network, frame relay, managed bandwidth and packet services. Monthly revenues for these services, in the aggregate, grew more than 100% year-over-year. The Concert network has 6,000 nodes deployed in over 800 cities in more than 50 countries.

In November 1995, the company increased its investment in AVANTEL, a 44.5% owned business venture with Grupo Financiero Banamex-Accival, to approximately \$250 million, which represents half of the company's total anticipated investment, the remainder of which is expected to be made in 1996. In September 1995, AVANTEL received a license from the Mexican Secretariat of Communications and Transportation to construct and operate a nationwide fiberoptic telecommunications network in Mexico. AVANTEL plans to provide competitive domestic and international long distance telecommunications services in Mexico when the market opens for competition for business customers in August 1996. Certain value added, private line and data services may be offered prior to that time. A full range of competitive switched long distance services is expected to be offered by AVANTEL to residential and business customers beginning in January 1997. For the year ended December 31, 1995, AVANTEL's capital expenditures were \$86 million, and at December 31, 1995, AVANTEL had installed 1,540 route miles of its fiber-optic network in Mexico.

MULTIMEDIA SERVICES

The company invested \$1 billion in News Corp. in August 1995, and recorded \$18 million in dividend income during the period ended December 31, 1995. The company has the option for five years to invest an additional \$1 billion in News Corp. During the five year period, under certain circumstances, News Corp. can require the company to invest the additional \$1 billion or a part thereof. In January 1996, News Corp. exercised a portion of this right by requiring the company to invest \$350 million in the first half of 1996. If the \$2 billion investment had been made and the related warrants exercised at December 31, 1995, the company would have held a 13.8% voting interest (12.9% on a fully diluted basis) in News Corp.

On January 25, 1996, the company submitted the winning bid of \$682 million for the last remaining unallocated DBS spectrum slot that provides coverage of all fifty states and Puerto Rico, located at 110-degrees West Longitude. DBS is a point-to-multipoint broadcast service that uses high-powered Ku band satellites which are placed in geosynchronous orbit. The company has paid a portion of the license fee, with the remainder due upon receipt of the license. In addition, the company and News Corp. will form a joint venture to enter United States DBS video, audio and data market. The venture will offer information and entertainment services to businesses and consumers. The companies plan to invest approximately \$1.3 billion, on a 50-50 basis, in the venture, and expect to offer service by late 1997.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

Cash from operating activities increased 26% to \$2,979 million in 1995 and 19% to \$2,355 million in 1994, which was consistent with the growth in the company's recurring income from operations for these periods. A significant increase in interest received, which resulted from a full year earnings of marketable securities, also contributed to the 1995 increase. Cash from operating activities has been the company's primary source of cash to finance capital expenditures. The 1995 business acquisitions and investments in ventures and developing markets were funded with proceeds from the BT investment and, to a lesser extent, from the issuance of commercial paper. In 1994, financing activities were a significant source of cash as a result of the BT transaction and debt issuances. EBITDA, excluding special charges, other income (expense) and equity in income (losses) of affiliated companies increased to \$3.2 billion in 1995 from \$2.7 billion in 1994 and \$2.4 billion in 1993. The increases were primarily a result of strong revenue growth, which was partially offset by higher operating expenses.

WORKING CAPITAL

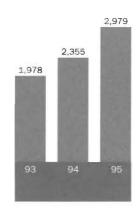
The company had working capital (current assets less current liabilities) of \$(.3) billion and \$1.8 billion at December 31, 1995 and 1994, respectively. The decline in working capital was primarily attributable to the use of cash and cash equivalents and the sale of marketable securities to fund 1995 business acquisitions and investments in ventures and developing markets. Current assets decreased due to a decline in cash, cash equivalents and current marketable securities of \$1.4 billion, which was offset by increases of \$.7 billion in receivables and \$.4 billion in other. The increase in receivables and other current assets reflected strong year-end business volumes and acquired company balances. Current liabilities increased \$1.7 billion from December 31, 1994 due to increases of \$.5 billion in accrued telecommunications expense and accounts payable, \$.8 billion in other accrued liabilities and S.4 billion in long-term debt due within one year. The increase in accrued telecommunications expense and accounts payable was attributable to the growth in the company's overall business and acquired company balances. Other accrued liabilities increased primarily due to the accrued reorganization costs,

increases in accrued payroll and related costs and acquired company balances. Long-term debt due within one year increased as a result of current maturity on the company's long-term debt portfolio.

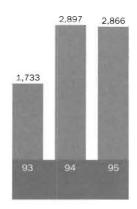
CAPITAL EXPENDITURES

The company continued to invest in its communications system in order to increase network capacity, reliability and performance, and to enhance network intelligence. Capital expenditures for property and equipment were approximately \$2.9 billion in each of 1995 and 1994, and \$1.7 billion in 1993. The increases in capital expenditures for 1995 and 1994 were due primarily to increases in capacity, intelligent network and switch software development, and the company's continued deployment of Synchronous Optical Network (SONET) technology. SONET technology enables high-speed multimedia applications and information services, as well as advanced network technologies for improved reliability and delivery of advanced services. Also contributing to the 1995 increase were MCImetro capital expenditures of approximately \$.3 billion. In addition to the construction of MCImetro's SONET-based local city networks, during 1995, the company accelerated its deployment of long distance network SONET rings around major metropolitan areas. SONET rings provide millisecond restoration of traffic in the event of a fiber cut. In addition, the company activated the nation's first commercial network combining SONET and Asynchronous Transfer Mode (ATM) technologies called vBNS, very high-speed backbone network service during 1995. The combination of SONET and ATM allows the company to combine voice, data and video transmissions for unique high-speed applications over a single channel. Property and equipment retirements were \$.9 billion and \$1.1 billion in 1995 and 1994, respectively.





CAPITAL EXPENDITURES in millions of dollars



FUNDING OF CAPITAL EXPENDITURES AND INVESTMENTS IN VENTURES AND DEVELOPING MARKETS

In 1995, the company funded its capital expenditures, acquisitions of SHL and Nationwide, as well as investments in News Corp., AVANTEL, Concert and other ventures, through cash from operations, marketable securities purchased with the proceeds from the investment of BT and debt issuances. In 1996, the company plans to spend approximately \$3 billion on capital expenditures, which includes MCImetro capital expenditures, most of which will be funded with cash from operations. In addition, the company expects to invest approximately \$2 billion in existing ventures and developing markets, which includes the company's share of planned DBS venture costs, additional investment in News Corp., and a 1996 planned capital contribution in AVANTEL. The company believes that it will be able to meet its current and long-term liquidity and its capital requirements from cash from operations and existing debt facilities. The company has a \$2 billion bank credit facility, which expires in July 2000. The bank credit facility supports the company's commercial paper program and may also be used to fund short-term fluctuations in working capital and other general corporate requirements. In addition, the company has a \$1 billion shelf registration in effect, which covers debt securities with a range of maturities at either fixed or variable rates. At December 31, 1995, there was \$705 million outstanding under the commercial paper program and bank credit facility, and no securities were issued under the shelf registration.

The company's ratio of debt to total capitalization, defined as total debt to total debt plus equity, increased to 29% at December 31, 1995 from 26% at December 31, 1994, as a result of the issuance of commercial paper to fund certain of the company's business acquisitions and investments in ventures and developing markets. On September 30, 1994, the company issued 108.5 million shares of Class A common stock to BT for \$3.5 billion in cash, which caused the company's debt to total capitalization ratio to decrease to 26% at December 31, 1994 from 35% at December 31, 1993.

INCOME STATEMENTS

Year ended December 31,		1995		1994		1993
(In millions, except per share amounts)						
REVENUE	\$1	5,265	\$1	3,338	\$1	1,921
OPERATING EXPENSES						
Telecommunications		7,813		6,916		6,373
Sales, operations and general		4,506		3,790		3,310
Depreciation		1,308		1,176		970
Asset write-down		520		-		
TOTAL OPERATING EXPENSES	1	4,147	1	1,882	1	0,653
INCOME FROM OPERATIONS		1,118		1,456		1,268
Interest expense		(149)		(153)		(178)
Interest income		147		50		8
Other expense, net		(32)		(69)		(51)
Equity in income (losses) of affiliated companies		(187)		(4)		(2)
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM		897		1,280		1,045
Income tax provision		349		485		418
Income before extraordinary item		548		795	-	627
Extraordinary loss on early debt retirements, less applicable tax benefit of \$26 million		_		_		45
NET INCOME	\$	548	\$	795		582
Dividends on preferred stock	Se	_	•	1	•	1
EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	\$	548	\$	794	\$	581
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARES						
Income before extraordinary item	S	.80	\$	1.32	\$	1.12
Loss on early debt retirements	W)	.00	Ф	1.32	Φ	(.08)
*	- 0	90	Φ.	1 22	Φ.	
Total	\$.80	\$	1.32	\$	1.04
Weighted average number of common shares		687		604		562

BALANCE SHEETS

December 31,	1995	1994
(In millions)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 471	\$ 1,429
Marketable securities	373	839
Receivables, net of allowance for uncollectibles of \$260 and \$226 million	2,954	2,266
Other current assets	749	354
TOTAL CURRENT ASSETS	4,547	4,888
PROPERTY AND EQUIPMENT	- 110.17	1,000
Communications system in service	11,318	9,766
Furniture, fixtures and equipment	2,432	1,974
Other property	493	478
		30.000
TOTAL PROPERTY AND EQUIPMENT	14,243	12,218
Accumulated depreciation	(5,238)	(4,349)
Construction in progress	1,304	1,190
TOTAL PROPERTY AND EQUIPMENT, NET	10,309	9,059
OTHER ASSETS		
Noncurrent marketable securities	-	824
Other assets and deferred charges, net	469	293
Investment in affiliates	495	199
Investment in News Corp.	1,000	
Goodwill, net	2,481	1,103
TOTAL OTHER ASSETS	4,445	2,419
TOTAL ASSETS	\$19,301	\$16,366
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 706	\$ 609
Accrued telecommunications expense	1,936	1,505
Other accrued liabilities	1,728	893
Long-term debt due within one year	500	130
TOTAL CURRENT LIABILITIES	4,870	3,137
	4,070	J,137
NONCURRENT LIABILITIES	2.444	2.007
Long-term debt	3,444	2,997
Deferred taxes and other	1,385	1,228
TOTAL NONCURRENT LIABILITIES	4,829	4,225
STOCKHOLDERS' EQUITY	1.1	
Class A common stock, \$.10 par value, authorized 500 million shares, issued 136 million shares	14	14
Common stock, \$.10 par value, authorized 2 billion shares, issued 593 and 592 million shares	60	60
Additional paid in capital	6,405	6,227
Retained earnings Treasury stock at cost 43 and 48 million shares	4,063	3,548
Treasury stock, at cost, 43 and 48 million shares	(940)	(845)
TOTAL STOCKHOLDERS' EQUITY	9,602	9,004
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$19,301	\$16,366

STATEMENTS OF CASH FLOWS

Year ended December 31,	1995	1994	1993
(In millions)			
OPERATING ACTIVITIES			
Receipts from customers	\$ 14,786	\$ 13,298	\$11,546
Payments to suppliers and employees	(11,453)	(10,472)	(9,106)
Taxes paid	(410)	(393)	(321)
Interest paid	(113)	(100)	(150)
Interest received	169	22	9
CASH FROM OPERATING ACTIVITIES	2,979	2,355	1,978
INVESTING ACTIVITIES			
Capital expenditures for property and equipment	(2,866)	(2,897)	(1,733)
Purchases of marketable securities	(4,630)	(4,096)	_
Proceeds from sales and maturities of marketable securities	5,930	2,424	3
Acquisition of businesses, net of cash acquired	(1,243)	(110)	5
Investment in News Corp.	(1,000)		_
Investment in affiliates	(494)	(174)	(13)
Other, net	11	(64)	(21)
CASH USED FOR INVESTING ACTIVITIES	(4,292)	(4,917)	(1,759)
		-	5-15
NET CASH FLOW BEFORE FINANCING ACTIVITIES	(1,313)	(2,562)	219
FINANCING ACTIVITIES			
Issuance of Senior Notes and other debt	-	939	756
Payment of Senior Notes and other debt	(305)	(246)	(1,468)
Commercial paper and bank credit facility activity, net	702	(239)	(497)
Issuance of preferred stock	_	_	830
Issuance of Class A common stock	_	3,510	_
Issuance of common stock for employee plans	275	248	319
Payment of dividends on common and preferred stock	(33)	(32)	(28)
Purchase of treasury stock	(284)	(354)	(198)
CASH FROM (USED FOR) FINANCING ACTIVITIES	355	3,826	(286)
Net (decrease) increase in cash and cash equivalents	(958)	1,264	(67)
Cash and cash equivalents at beginning of year	1,429	165	232
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 471	\$ 1,429	\$ 165
SHOTTING SHOTT EQUIVALENTS AT EITE STATEMENT	- T7 1	Ψ 1,127	— TOS
RECONCILIATION OF NET INCOME TO CASH FROM OPERATING ACTIVITIES:			
Net income	\$ 548	\$ 795	\$ 582
Adjustments to net income:			
Depreciation and amortization	1,367	1,230	1,019
Asset write-down	520	-	_
Equity in (income) losses of affiliated companies	187	4	2
Deferred income tax provision	144	269	253
Net change in operating activity accounts other than cash and cash equivalents,			
net of effects of acquisition of businesses:			
Receivables	(442)	(135)	(370)
Operating accounts payable	57	36	(68)
Other operating activity accounts	598	156	560
CASH FROM OPERATING ACTIVITIES	\$ 2,979	\$ 2,355	\$ 1,978

STATEMENTS OF STOCKHOLDERS' EQUITY

(In millions)	Preferred Stock	Class A Common Stock	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Stock- holders' Equity
(in muions)							
BALANCE AT DECEMBER 31, 1992		_	\$ 30	\$1,479	\$2,231	\$(590)	\$3,150
stock and benefit plans (23 million shares) Tax benefit of common stock transactions	==	-	_	179	-	160	339
related to employee benefit plans	_	_	-	36	-	-	36
Net income		_	-	-	582	-	582
Common and preferred dividends		_	1-1	-	(28)	_	(28)
Convertible preferred stock issued	\$ 1	.	;—.	829	-	=	830
stock dividend	_	-	30	(30)	_	-	_
Treasury stock purchased (8 million shares)		-	_	_		(196)	(196)
BALANCE AT DECEMBER 31, 1993	1	-	60	2,493	2,785	(626)	4,713
and preferred stock converted	(1)	\$14	_	3,496	_	=	3,509
Common stock issued for employee							
stock and benefit plans (18 million shares)	=	·—		180	-	124	304
Tax benefit of common stock transactions							
related to employee benefit plans	_	1-1	-	63	-	-	63
Change in unrealized loss on marketable securities .	.—	_		(5)	_	_	(5)
Net income	_	_	_	-	795		795
Common and preferred dividends	1-	-		_	(32)	_	(32)
Treasury stock purchased (15 million shares)						(343)	(343)
BALANCE AT DECEMBER 31, 1994	· -	14	60	6,227	3,548	(845)	9,004
Common stock issued for employee							
stock and benefit plans (18 million shares)	· —	1-1	_	132	122	189	321
Tax benefit of common stock transactions							
related to employee benefit plans	_	-	_	25	-	-1	25
Acquisition of business (.8 million shares)	-	75.0	_	16	_		16
Change in unrealized loss on marketable securities.	_	-	_	5	_	100.00	5
Net income	-	_	_	-	548		548
Common stock dividends	-	-	-	77	(33)	-	(33)
Treasury stock purchased (13 million shares)	-		-	-	-	(284)	(284)
BALANCE AT DECEMBER 31, 1995	\$ -	\$14	\$ 60	\$6,405	\$4,063	\$(940)	\$9,602
					-		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The company operates predominantly in a single industry segment, the telecommunications industry, which consists of a wide range of telecommunications services to residential and business customers, including domestic and international long distance voice and data services, wireless, teleconferencing and electronic messaging services.

USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used when accounting for revenue, allowance for uncollectible receivables, telecommunications expense, depreciation and amortization, reorganization accruals and asset write-downs, employee benefit plans and taxes.

PRINCIPLES OF CONSOLIDATION

The financial statements include the consolidated accounts of MCI Communications Corporation and its majority-owned subsidiaries (collectively, the company) with all significant intercompany transactions eliminated.

REVENUE

The company records as revenue the amount of communications services rendered, as measured primarily by the minutes of traffic processed, after deducting an estimate of the traffic which will be neither billed nor collected. Service discounts and incentives are accounted for as a reduction of revenue when granted or, where a service continuation contract exists, ratably over the contract period. Revenue from information technology services is recognized, depending on the service provided, on a percentage of completion basis or as services and products are rendered or delivered.

CASH AND CASH EQUIVALENTS

Cash equivalents consist primarily of certificates of deposit, securities of the U.S. Government and its agencies and corporate debt securities all having maturities of ninety days or less when purchased. The carrying amount reported in the accompanying balance sheets for cash equivalents approximates fair value due to the short-term maturity of these instruments.

At December 31, 1995 and 1994, checks not yet presented for payment of \$248 million and \$192 million in excess of cash balances, respectively, were included in current liabilities. The company had sufficient funds available to cover these outstanding checks when they were presented for payment.

INVESTMENTS

Investments in marketable securities at December 31, 1995 and 1994 are classified as available for sale and are reported at fair value in accordance with Statement of Financial Accounting Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities." The fair values are based on quoted market prices, and any holding gains and losses are excluded from earnings and reported as a net amount in additional paid in capital until realized. Realized gains and losses are recorded in the income statement and the cost assigned to securities sold is based on the specific identification method.

The company uses the equity method to account for investments in entities in which it has less than a majority interest but can exercise significant influence. These investments are classified on the accompanying balance sheets as investment in affiliates. Under the equity method, the investment, originally recorded at cost, is adjusted to recognize the company's share of the net earnings or losses of the affiliates as they occur, rather than as dividends or other distributions are received, limited to the extent of the company's investment in, advances to and guarantees for the investee. The company's share of net earnings or losses of affiliates includes amortization of purchase adjustments. Other investments in which the ownership is less than 20% and the company does not exercise significant influence are recorded at cost. The company's investment in News Corp. is recorded under the cost method.

PROPERTY AND EQUIPMENT

The investment in communications system is recorded at cost and includes material, interest, labor and overhead. The costs of construction and equipment are transferred to communications system in service as construction projects are completed and/or equipment is placed in service. Depreciation is recorded commencing with the first full month that the assets are in service and is provided using the straight-line method over their estimated useful lives. A majority of the company's communications system assets are grouped in like pools for depreciation purposes. For these asset groups, the cost of equipment retired in the ordinary course of business, less proceeds, is charged to accumulated depreciation. The company

periodically reviews and adjusts the useful lives assigned to fixed assets to ensure that depreciation charges provide appropriate recovery of capital costs over the estimated physical and technological lives of the assets. The weighted average depreciable life of the assets comprising the communications system in service approximates 10 years. Furniture, fixtures and equipment are depreciated over a weighted average life of 6 years and includes computer and data center equipment along with other administrative assets. Other property includes land, buildings and leasehold improvements. Leasehold improvements are depreciated over the shorter of the life of the equipment or the life of the lease. Buildings are depreciated using lives of up to 35 years. Maintenance and repairs are charged to expense as incurred.

CAPITAL LEASES

Certain of the company's lease obligations meet the criteria of a capital lease. These obligations are recorded at the present value of the future lease payments, including estimated bargain purchase options, discounted at the approximate interest rate implicit in each lease. Amounts are depreciated over the estimated useful lives of the equipment, which are generally longer than the terms of the leases. Leases not capitalized are primarily for land on which communications equipment is located and for administrative facilities, including office buildings, vehicles, certain data processing equipment and office equipment.

OTHER ASSETS AND DEFERRED CHARGES

Included in other assets and deferred charges are unamortized customer discounts and service incentives, right-of-way agreements with third parties, purchased subscriber base, deferred advertising costs and debt issuance costs. Deferred customer discounts and service incentives are amortized over the life of the specific contract to which they relate; also included are amounts recoverable under long-term customer service contracts, which are amortized over the contract period. Right-of-way costs are amortized as the assets are placed in service, over the lesser of the remaining term of the agreements or 25 years. Purchased subscriber base is amortized over the period benefited. In accordance with Statement of Position 93-7, "Reporting on Advertising Costs," certain advertising costs are deferred and amortized over the period benefited. Debt issuance costs are amortized over the life of the applicable debt.

GOODWILL

Goodwill represents the excess of the cost to acquire subsidiaries over the estimated fair market value of the net assets acquired. These amounts are amortized using the straight-line method over lives ranging from 10 to 40 years. Accumulated amortization at December 31, 1995 and 1994 was \$172 million and \$131 million, respectively. The company periodically evaluates the realizability of goodwill based upon projected undiscounted cash flows and operating income for each subsidiary having a material goodwill balance. The company believes that no impairment of goodwill existed at December 31, 1995.

FOREIGN EXCHANGE CONTRACTS AND INTEREST RATE SWAPS The company enters into foreign exchange contracts and interest rate swap agreements to hedge its foreign currency risks and reduce its interest rate exposure (see Note 9). While the company does not engage in speculation, it is exposed to market rate risk in the event of nonperformance by the other parties to the agreements. The company manages credit risk by regularly monitoring and evaluating the counterparties. At December 31, 1995, the fair values of and potential risk of loss on these agreements were not material.

INCOME TAXES

The company files a consolidated federal income tax return on a March 31 fiscal year end. Deferred income taxes are provided on transactions which are reported in the financial statements in different periods than for income tax purposes. Income tax benefits of tax deductions related to common stock transactions with the company's employee benefit plans are recorded directly to additional paid in capital. General business credits are accounted for by the flow-through method.

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE Earnings per common and common equivalent share amounts are based on the weighted average number of shares of common stock outstanding during each year, adjusted for the effect of common stock equivalents arising from the assumed exercise of stock options, if dilutive, and the assumed conversion of the Series D convertible preferred stock in 1993. Fully diluted earnings per share are not materially different from primary earnings per share.

RECLASSIFICATION

Certain prior year information has been reclassified to conform to the current year presentation.

NOTE 2. 1995 SPECIAL CHARGES

During the third quarter of 1995, the company implemented a reorganization designed to increase efficiency, enhance marketplace effectiveness and improve business focus. The reorganization was largely in response to the rapid changes in business scope, technology and regulation affecting the telecommunications industry. The company consolidated its core business and centralized major administrative functions. The core business includes network operations, information systems and the former Business Markets and Consumer Markets groups. In connection with this reorganization and in response to other third quarter 1995 events, the company recorded special pretax charges of \$831 million, which were comprised of the following three major components.

The company recorded a \$520 million charge for an asset write-down, which reflected a decline in value of certain of the company's assets caused by changes in the business and technology strategy. The write-down primarily related to communications systems and administrative assets that have become redundant or were no longer aligned with strategic product offerings. The amount of the write-down was measured in conformity with the Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which the company adopted in the third quarter of 1995. Under this standard, charges were taken for the difference between the current carrying value and the estimated fair value of such assets at the expected disposal date. In the company's case, the fair value of most of the assets covered by this write-down was deemed to be salvage value. Disposal or abandonment of substantially all of these assets occurred by December 31, 1995.

The company also recorded a \$216 million charge in sales, operations and general expenses, which related primarily to reorganization costs. These costs included approximately \$50 million of severance associated with a workforce reduction, \$55 million of lease obligations and penalties associated with vacating facilities, and \$45 million of costs to modify and terminate contracts associated with changes in the business organization and strategic product offerings. The remainder of the charge included other costs associated with the company's business reorganization and certain legal costs. The company expects to reduce its workforce by approximately 2,800

employees, of whom approximately 2,400 had left the company at December 31, 1995. The remaining employees are expected to leave during the first half of 1996. The terminated employees, which included management and nonmanagement, were primarily sales, support and systems engineering personnel located at business administrative and operations sites. The company abandoned excess and duplicate facilities at various business and operations locations due to automation, workforce reductions and centralization.

As of December 31, 1995, the company had incurred \$55 million of the accrued reorganization costs with the majority of the remaining costs to be incurred during 1996. The remaining accrual is primarily comprised of costs associated with lease obligations, severance, modification and termination of contracts, other business reorganization costs and certain accrued legal costs. The reorganization accrual is charged when applicable severance payments are disbursed, or when rental expense is incurred or lease termination costs are disbursed, or when contract settlements are completed and payment is disbursed. Other costs are charged as incurred. Cash expenditures for these expenses were and will continue to be funded from cash from operations.

In addition, the company recorded a charge of \$95 million in equity in income (losses) of affiliated companies, which related to several investees where restructuring plans were implemented in the third quarter of 1995 or where product offerings were not expected to generate future cash flows sufficient to recover current carrying values.

NOTE 3. ACQUISITIONS

In September 1995, the company completed its acquisition of Nationwide Cellular Service, Inc. (Nationwide), a provider of cellular phone service, for approximately \$210 million. In November 1995, the company acquired all the outstanding shares of SHL Systemhouse Inc. (SHL), a Canadian corporation which provides information technology services to commercial and government enterprises, for U.S. \$13 per share or approximately U.S. \$1.13 billion. These acquisitions have been accounted for as purchase business combinations and, accordingly, the net assets and results of their operations have been included in the company's financial statements since the acquisition dates. Acquisition costs have been allocated to the fair value of assets acquired, including intangibles, and liabilities assumed. The total assets acquired, including excess of cost over net assets acquired, for these and other less

significant 1995 acquisitions were \$1,982 million. The associated obligations assumed, net of deferred taxes of \$184 million, were \$739 million. The excess of the purchase price over the fair value of net assets of approximately \$1.4 billion is being amortized over periods of 20 to 40 years.

NOTE 4. NEWS CORP. INVESTMENT

In August 1995, the company made an initial investment of \$1 billion in The News Corporation Limited (News Corp.). The investment was comprised of (i) an aggregate of 51 preferred shares of two U.S. subsidiaries of News Corp. (News Triangle Finance, Inc. and News T Investments, Inc.) with a stated value and liquidation preference of \$850 million and bearing a dividend rate of 5.147%, and (ii) a four year warrant (purchase price of \$150 million) to acquire up to approximately 155 million News Corp. ordinary shares for \$850 million. The exercise price of the warrant is payable, at the company's option, in cash or through the surrender of the preferred shares. In addition, the company has an option for five years to invest an additional \$1 billion under the same terms and for the same consideration as its initial investment. Under certain circumstances, News Corp. shall have the right to cause the company to make the additional \$1 billion investment or a portion thereof. In January 1996, News Corp. exercised a portion of this right by requiring the company to invest \$350 million in the first half of 1996.

Should the company exercise its warrants and acquire ordinary shares of News Corp., subject to certain exceptions, the company shall vote in the same proportion as all other votes. The company accounts for its investment in News Corp. under the cost method. In January 1996, the company received a dividend on its preferred stock investment in News Corp. of \$18 million.

On January 25, 1996, the company submitted the winning bid of \$682 million for the last remaining unallocated direct broadcast satellite (DBS) spectrum slot that provides coverage of all fifty states and Puerto Rico. The company and News Corp. will form a joint venture to enter the United States DBS video, audio and data market. The companies plan to invest approximately \$1.3 billion, on a 50-50 basis, in the venture, and expect to offer service by late 1997.

NOTE 5. BRITISH TELECOMMUNICATIONS PLC ALLIANCE

On September 30, 1994, British Telecommunications plc (BT) completed the purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This purchase was achieved by the company's issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion in cash on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock (see Note 10).

In conjunction with the above investment, the company purchased a 24.9% equity interest in Concert Communications Company (Concert), a business venture launched by BT in July 1994, which provides global enhanced telecommunications services for business customers. In addition, the company purchased from BT substantially all of the operations of BT North America Inc. in January 1994 for \$108 million and divested its interest in AAP Telecommunications Pty. Ltd. in October 1994.

The company and BT lease each others' access lines at prevailing market rates in the ordinary course of business to process traffic in the United States and the United Kingdom. The company also conducts business with Concert through the provision and receipt of communications services at prevailing market rates. During 1995, 1994 and 1993, the amounts associated with those transactions were immaterial to the company.

NOTE 6. INVESTMENT IN AFFILIATES

The company has various investments accounted for under the equity method, which are reported in the accompanying balance sheets as investments in affiliates. At December 31, 1995, the net investment in affiliated companies was \$495 million, which included net investment balances of \$237 million for AVANTEL, S.A. de C.V. (AVANTEL), a 44.5% owned business venture with Grupo Financiero Banamex-Accival formed to provide competitive domestic and international long distance telecommunications services in Mexico, and \$58 million for Concert. During 1996, the company is required to make an additional capital contribution in AVANTEL of approximately \$250 million and expects to continue making capital contributions in Concert to maintain its proportionate equity interest.

NOTE 7. MARKETABLE SECURITIES

At December 31, 1995 and 1994, all of the company's marketable securities were classified as available-for-sale and stated at fair value. These securities were included in the accompanying balance sheets as either cash and cash equivalents, current marketable securities or noncurrent marketable securities. At December 31, 1995, the portfolio consisted of \$70 million of certificates of deposit, \$385 million of U.S. Government agency securities and \$129 million of corporate debt securities. At December 31, 1994, the portfolio consisted of \$1,059 million of corporate debt securities, \$875 million of U.S. Government agency securities, \$748 million of certificates of deposit, \$230 million of U.S. Treasury securities and \$76 million of asset-backed securities.

At December 31, 1995, amortized cost equaled fair market value. At December 31, 1994, an unrealized loss of \$9 million, net of estimated tax benefit, reduced additional paid in capital by \$5 million. Sales of available-for-sale marketable securities during 1995 and 1994 resulted in a net realized gain of \$13 million and a net realized loss of \$3 million, respectively, which were included in interest income.

The distribution of maturities of marketable securities is as follows:

December 31,	1995		19	94
	Cost	Fair Value	Cost	Fair Value
(In millions)				
Marketable securities:				
Maturing within				
three months	\$211	\$211	\$1,316	\$1,316
Maturing within one year .	373	373	842	839
Maturing between one				
and five years	_	-	830	824
Total marketable securities	\$584	\$584	\$2,988	\$2,979

NOTE 8. SUPPLEMENTARY BALANCE SHEET INFORMATION

December 31, (In millions)	1995	1994
(In munons)		
Other current assets:		
Deferred income taxes	5 317	\$ 115
Other receivables, net	173	110
Other	259	129
Total other current assets	\$ 749	\$ 354
Other accrued liabilities:		
Taxes, other than income	\$ 399	\$ 263
Payroll and employee benefits	270	156
Reorganization costs	161	_
Other	898	474
Total other accrued liabilities	\$1,728	\$ 893
Deferred taxes and other:		
Deferred income taxes	\$1,357	\$1,192
Other	28	36
Total deferred taxes and other	\$1,385	\$1,228

NOTE 9. DEBT AND LEASE OBLIGATIONS

Company debt consists of:

December 31,	1995	1994
(In millions)		
Senior Notes, with maturities ranging		
from June 1996 to August 2004, at a		
weighted average interest rate of 6.9%,		
net of unamortized discount of \$1 million	\$1,486	\$1,501
Senior Debentures, with maturities ranging		
from January 2023 to March 2025, at a		
weighted average interest rate of 7.9%,		
net of unamortized discount of \$6 million	884	884
Capital lease obligations at a weighted		
average interest rate of 9.0% and 8.7%	589	596
Commercial paper and bank credit facility		
borrowings at a weighted average interest		
rate of 5.7%	705	-
Other debt at a weighted average interest		
rate of 7.6% and 5.4%	280	146
Total debt	3,944	3,127
Debt due within one year	(500)	(130)
Total long-term debt	\$3,444	\$2,997

Annual maturities of long-term debt for the five years after December 31, 1995 are as follows: \$500 million in 1996; \$166 million in 1997; \$122 million in 1998; \$386 million in 1999; and \$1,196 million in 2000.

Total interest costs were \$242 million in 1995, \$231 million in 1994 and \$239 million in 1993, of which \$93 million, \$78 million and \$61 million, respectively, were capitalized.

At December 31, 1995 and 1994, the estimated fair value of the company's long-term debt, excluding capital lease obligations, is listed below. This valuation represents either quoted market values, where available, or the company's estimate based upon market prices of comparable debt instruments.

December 31,	1995		19	94
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(In millions)				
Senior Notes	\$1,486	\$1,540	\$1,501	\$1,438
Senior Debentures	884	955	884	793
Commercial paper and bank				
credit facility borrowings .	705	705	-	-
Other debt	280	280	146	146
Total debt, excluding capital leases	\$3,355	\$3,480	\$2,531	\$2,377

The change in the estimated fair value versus the carrying amount of debt from 1994 to 1995 reflects the change in market rates during 1995 from rates above the company's fixed rate debt to levels below the company's fixed rate debt.

SENIOR NOTES AND DEBENTURES

In March 1994, the company issued \$450 million principal amount of 7 3/4% Senior Debentures due March 23, 2025, \$300 million principal amount of 6 1/4% Senior Notes due March 23, 1999 and \$200 million principal amount of Senior Floating Rate Notes due March 16, 1999 (Senior Floating Rate Notes). In conjunction with the issuance of the Senior Floating Rate Notes, the company entered into an interest rate swap agreement for a notional principal amount of \$200 million which resulted in an effective fixed interest cost of 6.37%. A substantial portion of the net proceeds from these issuances was used to repay commercial paper borrowings while the remaining proceeds were used for general corporate purposes. During 1995 and 1994, the company repaid \$15 million and \$93 million of maturing Senior Notes, leaving \$2,370 million and \$2,385 million of debt securities outstanding at a weighted average annual interest rate of 7.25% at December 31, 1995 and 1994, respectively.

The company has in effect a \$1 billion shelf registration which will enable the company to issue debt securities with a range of maturities at either fixed or variable rates. The company has not issued any securities under this shelf registration at December 31, 1995.

COMMERCIAL PAPER AND

BANK CREDIT FACILITY BORROWINGS

On July 8, 1994, the company executed a five year \$2 billion bank credit facility agreement (Credit Facility) which replaced its previous \$1.25 billion bank credit facility. In 1995, the Credit Facility was extended for another year and now expires in July 2000. This Credit Facility supports the company's com-

mercial paper program and, in conjunction with this program, will be used to fund fluctuations in working capital and other general corporate requirements.

During 1995, the company issued commercial paper and borrowed under the Credit Facility an aggregate of \$771 million and repaid an aggregate of \$66 million. At December 31, 1995, there was \$705 million outstanding under the commercial paper program and Credit Facility. Borrowings under the commercial paper program and Credit Facility are classified as noncurrent if the remaining term of the Credit Facility agreement exceeds one year and the unused commitment thereunder equals or exceeds the amount of commercial paper then outstanding. During 1994, the company issued commercial paper and borrowed under the credit facilities an aggregate of \$6,637 million and repaid an aggregate of \$6,876 million of credit facility and commercial paper borrowings, leaving no amounts outstanding at December 31, 1994.

RETIREMENTS AND REDEMPTIONS

In 1993, the company redeemed all \$616 million, net of the unamortized discount, of its Zero-Coupon Subordinated Convertible Notes due December 11, 2004. The funds for this redemption came from the issuance of Senior Notes, Senior Debentures, commercial paper and credit facility borrowings. Also in 1993, the company redeemed all \$575 million principal amount of its 10% Subordinated Debentures due April 1, 2011. This redemption was funded from segregated cash generated by the company's operations and earnings, as well as a portion of the proceeds from the sale of preferred stock to BT (see Note 5). An extraordinary loss of \$45 million, net of current income tax benefit of \$26 million, was recorded for the 1993 redemptions.

LEASE OBLIGATIONS

Future minimum rental commitments for capital leases are as follows: \$140 million in 1996; \$126 million in 1997; \$64 million in 1998; \$55 million in 1999; \$51 million in 2000; and \$596 million thereafter. At December 31, 1995, aggregate future minimum capital lease payments were \$1,032 million including interest of \$443 million. The present value of future capital lease payments at December 31, 1995 was \$589 million. The gross and net book values of property and equipment financed by capital leases were \$584 million and \$274 million, respectively, at December 31, 1995 and \$604 million and \$271 million, respectively, at December 31, 1994. Future minimum rental commitments for noncancellable operating leases are as follows: \$217 million in 1996; \$172 million in 1997; \$136 million in 1998; \$109 million in 1999; \$82 million in 2000; and \$246 million thereafter. At December 31, 1995, aggregate future minimum payments for noncancellable operating leases were \$962 million.

Total rental expense for all operating leases was \$321 million, \$262 million and \$227 million for the years ended December 31, 1995, 1994 and 1993, respectively.

NOTE 10. STOCKHOLDERS' EQUITY

PREFERRED STOCK RIGHTS PLAN

On September 7, 1994, the company's board of directors adopted a stockholders' rights plan (Rights Plan), effective September 30, 1994, and declared a dividend, payable to the holders of record on October 11, 1994, of one preferred share purchase right (Right) for each outstanding share of common stock and Class A common stock (collectively, Common Shares) to the stockholders of record on that date. The Rights will also be attached to certain future issuances of Common Shares. Each Right entitles the registered holder to purchase from the company one one-hundredth of a share of the company's Series E Junior Participating Preferred Stock, par value \$.10 per share, (Series E Preferred Stock) for an initial purchase price of \$100, subject to adjustment.

The Rights will become exercisable upon the occurrence of certain specified events, including a public announcement that a person or group of affiliated or associated persons (Acquiring Person) have acquired beneficial ownership of 10% or more of the outstanding Common Shares (more than 20.1% in the case of share acquisitions by BT). In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right (other than Rights beneficially owned by the Acquiring Person, which will become void), will thereafter have the right, subject to certain restrictions, to receive upon exercise in lieu of Series E Preferred Stock that number of shares of the company's common stock (or, at the option of the company, that number of one one-hundredth of a share of Series E Preferred Stock) determined as set forth in the Rights Plan.

For purposes of the Rights Plan, the company's board of directors has designated 10 million shares of Series E Preferred Stock which amount may be increased or decreased by the board of directors. All Rights expire on September 30, 2004, unless this date is extended or the Rights are earlier redeemed or exchanged by the company in accordance with the Rights Plan.

CLASS A COMMON STOCK

On September 30, 1994, BT completed the purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This purchase was achieved by the company's issuance of 108.5 million shares of Class A common stock to BT for a cash payment of \$3.5 billion on September 30, 1994, and BT's conversion of all the outstanding 13,736 shares of Series D convertible preferred stock (Series D), purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock. The company paid dividends of \$50 and \$100 per share on the Series D in 1994 and 1993, respectively, and \$.05 and \$.025 on the Class A common stock in 1995 and 1994, respectively.

At December 31, 1995, all of the Class A common stock was held by BT. The Class A common stock is equivalent on a per share basis to the company's common stock, except with respect to certain voting rights. BT is entitled to proportionate representation on the company's board of directors, which currently equates to three seats. In addition to board representation, BT is entitled to preemptive rights with respect to the issuance of additional shares of common stock and to investor protections with respect to certain corporate actions of the company. Shares of Class A common stock automatically convert into common stock upon transfer and in certain other events.

COMMON STOCK

On May 24, 1993, the company's board of directors declared a two-for-one stock split in the form of a 100% stock dividend, which was issued on July 9, 1993 to stockholders of record as of the close of business on June 11, 1993. The following have been adjusted for the effect of the common stock dividend: 1993 and prior years' per share amounts, 1993 treasury stock transactions, the December 31, 1993 treasury stock balances and data for common stock options and the employee stock purchase plan.

In 1995, 1994 and 1993, the company paid semiannual dividends of \$.025 per share on its common stock.

NOTE 11. STOCK OPTION AND EMPLOYEE STOCK PURCHASE PLANS

EMPLOYEE AND DIRECTORS' STOCK OPTION PLANS
The current Employee Stock Option Plan (Plan) provides for
the issuance of up to 108 million shares of common stock. On
an annual basis, pursuant to the Plan, the board of directors
may increase the maximum number of shares available for

issuance under the Plan as of each January 1, by up to 5% of the number of shares of common stock outstanding at each such date. Options granted under the Plan are exercisable at such times and in such installments as determined by the compensation committee of the board of directors. Options granted under the Plan may not have an option price less than the fair market value of the common stock on the date of the grant.

Stock appreciation rights may be granted in combination with a stock option either at the time of the grant or anytime thereafter. No stock appreciation rights had been granted at December 31, 1995.

The compensation committee may also grant restricted stock awards and performance share awards, subject to such conditions, restrictions and requirements as the committee may determine in its sole discretion. During the year ended December 31, 1995, there were approximately 375,000 restricted shares granted. At December 31, 1995, there were approximately 1,222,000 restricted shares outstanding. No performance share awards had been issued at December 31, 1995.

The compensation committee may grant both incentive stock options and non-qualified options under the Plan. All options granted in the last three years have been non-qualified options. These non-qualified options expire after ten years and are exercisable to the extent of 33% of the option shares after one year, 66% after two years and 100% after three years. Incentive stock options expire between five and ten years after issuance and are exercisable to the extent of 33% of the option shares after one year, 66% after two years and 100% after three years.

The Plan permits the holder of an option to pay the purchase price for stock option exercises by surrendering shares of the company's common stock having a fair market value equal to, or greater than, the purchase price.

The company also has a stock option plan for non-employee directors (Directors' Plan) which provides for the issuance of up to 1,000,000 shares of common stock. Under the Directors' Plan, each non-employee director has been granted a five-year option to purchase up to 40,000 shares of common stock at the closing price of the common stock on the date of grant. The options are exercisable after the first anniversary of

the date of grant, in cumulative installments of 25% per year. Similar options will be granted automatically to all new board members who are not employees, including the nominee directors from BT. Upon the fifth anniversary of the date of grant of options, the unexercised portion of the grant shall be canceled and a new option for 40,000 shares shall be granted automatically.

Additional information with respect to stock options under these plans is:

	Option Amoun	T.
Number of Shares	Per Common Share	Total
50.0	\$ 3.25-22.44	\$ 690.9
18.6	20.56-28.75	394.5
(15.0)	3.25-22.44	(202.4)
(2.3)	9.38-28.75	(40.6)
51.3	3.44-28.75	842.4
22.3	18.88-26.88	587.1
(8.1)	3.44-22.44	(110.2)
(3.2)	3.81-28.75	(74.9)
62.3	3,44-28.75	1,244.4
25.2	18.38-26.50	482.2
(9.8)	3.44-26.88	+149.01
16.01	5.38-28,25	(134.2)
71.7	\$ 3.44-28.75	\$1,443.4
31.1	5 3:44 28:75	\$ 565.1
	50.0 18.6 (15.0) (2.3) 51.3 22.3 (8.1) (3.2) 62.3 25.2 (9.8) 16.0)	Number of Shares Per Common Share 50.0 \$ 3.25-22.44 18.6 20.56-28.75 (15.0) 3.25-22.44 (2.3) 9.38-28.75 51.3 3.44-28.75 22.3 18.88-26.88 (8.1) 3.44-22.44 (3.2) 3.81-28.75 62.3 3.44-28.75 25.2 18.38-26.50 (9.8) 3.44-26.88 (6.0) 5.38-28.25 71.7 \$ 3.44-28.75

At December 31, 1995, the company had 5.7 million shares available for future grant.

EMPLOYEE STOCK PURCHASE PLAN

Under the current Employee Stock Purchase Plan (ESPP Plan), up to 45 million shares of common stock may be purchased by eligible employees of the company through payroll deductions of up to 15% of their eligible compensation. The purchase price is equal to the lesser of (a) 85% of the fair market value of the stock on the date it is purchased or (b) 85% of the fair market value of the stock on certain specified valuation dates.

COMMON STOCK RESERVED FOR FUTURE ISSUANCE At December 31, 1995, 89.8 million shares of the company's authorized common stock, including 71.7 million shares under option, were reserved for future issuance under the Employee and Directors' Stock Option Plans and the ESPP Plan. The company has opted to use treasury shares to fulfill the purchases made under these plans during the three-year period ended December 31, 1995.

NOTE 12. EMPLOYEE BENEFIT PLANS

PENSION PLANS

The company maintains a noncontributory defined benefit pension plan (MCI Plan) and a supplemental pension plan (Supplemental Plan). Western Union International, Inc. (WUI), a subsidiary of the company, also has a defined benefit pension plan (WUI Plan). Collectively, these plans cover substantially all employees who work 1,000 hours in a year.

The MCI Plan and the Supplemental Plan provide pension benefits that are based on the employee's compensation for each year of service prior to retirement. The WUI Plan provides pension benefits based on the employee's compensation for each year of service after 1990 and prior to retirement.

The company's policy is to fund the MCI Plan and the WUI Plan in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974 and within the limits of allowable tax deductions. The assets of the plans are primarily invested in corporate equities, government securities and corporate debt securities.

Net periodic pension cost includes:

Year ended December 31,	1995	1994	1993
(In millions)			
Service cost during the period	\$ 40	\$ 37	\$ 18
Interest cost on projected			
benefit obligation	25	21	14
Actual return on plan assets	(70)	3	(21)
Net amortization and deferral	48	(20)	7
Net pension cost	\$ 43	\$ 41	\$ 18
Net pension cost	\$ 43	\$ 41	\$ 18

Pension cost increased in 1994 primarily due to a plan amendment which increased MCI Plan benefits effective January 1, 1994.

The company's pension asset consists of:

December 31,	1995	1994
(In millions)		
Plan assets at fair value Accumulated benefit obligation including vested	\$ 399	\$ 254
benefits of \$305 in 1995 and \$173 in 1994	(334)	(194)
Plan assets in excess of accumulated		
benefit obligation	\$ 65	\$ 60
Plan assets at fair value	\$ 399	\$ 254
rendered to date	(401)	(271)
Plan assets less than projected benefit obligation Unrecognized net (gain) loss from past experience	(2)	(17)
different from that assumed	42	(16)
periodic pension cost	33	64
Unrecognized net asset at January 1, 1986 being recognized over 16 years	(4)	(5)
Total prepaid pension asset	\$ 69	\$ 26

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation at December 31, 1995 were 7.25% and 5%, respectively, for the plans. At December 31, 1994, the discount rate used was 8.75% and the rate of increase in future compensation levels was 5% for both plans. The expected long-term rate of return on assets in 1995 and 1994 was 9% for the MCI Plan and 8.5% for the WUI Plan.

Annual service cost is determined using the Projected Unit Credit actuarial method and prior service cost is amortized on a straight-line basis over the average remaining service period of employees.

Effective January 1, 1996, the company amended the MCI Plan. Retirement benefits will be calculated by first establishing an initial balance for each participant based on the present value of benefits earned through 1995. For service after 1995, participants will accrue benefits based on a specific percentage of annual salary and will earn interest credits based on the prior year's balance at a specific interest rate. To protect the interests of employees who are age 50 or older and have at least five years of service, benefits will continue to accrue under the current formula through the year 2001. The amendment resulted in a reduction to the 1995 projected benefit obligation for services rendered to date of approximately \$27 million.

EMPLOYEE STOCK OWNERSHIP PLAN AND 401(K) PLANS The company has combined employee stock ownership (ESOP) and 401(k) retirement savings plans (RSP) covering substantially all of its employees. The savings plans allow employees to defer pretax income in accordance with the requirements of Internal Revenue Code Section 401(k). The company matches employee contributions up to a certain limit. Participants vest in the company's matching contributions at a rate of 20% per year of service and are immediately 100% vested in their elective deferrals.

During 1994, the company made a one time supplemental contribution of approximately 874,000 shares of common stock to the 401(k) sections of its plans in place of a contribution to the ESOP for the plan year ended December 31, 1993. At this time, future contributions to the ESOP have been suppended. Effective January 1, 1994, the company increased the matching contribution on 401(k) contributions to encourage employee savings. The company contributed approximately 1,741,000 shares, 1,455,000 shares and 791,000 shares of its common stock as the company's matching contribution to the RSP for the plan years ended December 31, 1995, 1994 and 1993, respectively.

WUI sponsors a 401(k) savings plan for its collectively bargained employees (WUI 401(k)). The savings plan is intended to meet requirements of Internal Revenue Code Section 401(k). WUI 401(k) participants vest in the company's matching contributions at a rate of 20% per year of service and are immediately 100% vested in their elective deferrals. The company contributed approximately 24,000 shares, 22,000 shares and 19,000 shares of its common stock to the WUI 401(k) for the plan years ended December 31, 1995, 1994 and 1993, respectively.

NOTE 13. INCOME TAXES

The components of the total income tax provision are:

Year ended December 31,	1995	1994	1993
(In millions)			
Current			
Federal	\$182	\$190	\$148
State and local	23	26	17
Current income tax provision	205	216	165
Deferred			
Federal	129	243	227
State and local	15	26	26
Deferred income tax provision	1.44	269	253
Total income tax provision	\$349	\$485	\$418

A reconciliation of the statutory federal income tax rate to the company's effective income tax rate is:

Year ended December 31,	1995	1994	1993
Statutory federal income tax rate	35%	35%	35%
State and local income taxes, net			
of federal income tax effect	3	3	3
Nondeductible amortization	2	I	1
Changes in federal tax laws		_	1
Other	(1)	(1)	_
Effective income tax rate	39%	38%	40%

In 1995, 1994 and 1993 the company recorded a tax benefit of \$25 million, \$63 million and \$36 million, respectively, to additional paid in capital for tax deductions related to common stock transactions with its employee benefit plans.

At December 31, 1995, for federal income tax purposes, the company has available \$207 million of Alternative Minimum Tax (AMT) credit carryforwards which have no expiration date. In addition, the company has available \$73 million of acquired U.S. net operating loss carryforwards expiring through 2009, all of which is subject to limitation due to change in ownership control, and \$14 million of acquired U.K. net operating loss carryforwards.

At December 31, 1995, 1994 and 1993, the company's net deferred income tax liability is comprised of the following:

	1995	1994	1993
(In millions)			
Deferred income tax asset	\$ 587 (1,627)	\$ 321 (1,398)	\$ 338 (1,149)
Net deferred income tax liability	\$(1,040)	\$(1,077)	\$ (811)
The components of these amounts are:			
Communications system	\$(1,577)	\$(1,312)	\$(1,097)
Customer discounts	(87)	(61)	(43)
Allowance for uncollectibles	56	46	20
Reorganization and realignment expenses	61	4	56
Domestic equity investments	38	(6)	:
Alternative minimum and general			
business tax credits	104	102	116
Other, net	365	150	137
Net deferred income tax liability	\$(1,040)	\$(1,077)	\$ (811)

The company has not recorded any valuation allowances against its deferred income tax assets under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," during the years ended December 31, 1995, 1994 and 1993.

NOTE 14. CONTINGENCIES

The company, in the normal course of business, is a party to a number of lawsuits and regulatory and other proceedings. The company's management does not expect that the results in these lawsuits and proceedings will have a material adverse effect on the consolidated financial position or results of operations of the company.

In December 1992, the company petitioned the United States District Court for the District of Columbia for a declaratory ruling that certain patents being asserted against the company by AT&T Corp. (AT&T) were invalid and that AT&T should therefore, and for other reasons, be barred from enforcing them against the company. AT&T counterclaimed that the company was violating certain patents. In May 1993, AT&T and Unitel Communications Inc., a Canadian corporation in which AT&T has an equity interest, filed a companion suit in Canada, alleging that the company and the Stentor Group of Canadian telephone companies (with which the company has an alliance) are infringing in Canada four of the patents at issue in the U.S. litigation. Although discovery has not yet been completed, the company does not expect that either action will have a material adverse effect on the consolidated financial position or results of operations of the company.

NOTE 15. SELECTED QUARTERLY INFORMATION (UNAUDITED)

Three months ended	Dec. 31, 1995	Sept. 30, 1995	June 30, 1995	Mar. 31, 1995
(In millions, except per share amounts)				
Revenue	\$4,136	\$3,862	\$3,706	\$3,561
Operating expenses:				
Telecommunications	2,072	2,001	1,921	1,819
Sales, operations and general	1,207	1,283	1,023	993
Depreciation	336	328	325	319
Asset write-down	-	520		_
Income (loss) from operations	521	(270)	437	430
Equity in income (losses) of affiliated companies	(24)	(116)	(18)	(29)
Net income (loss)	284	(240)	260	244
Earnings (loss) per common and				
common equivalent shares	.41	(.35)	.38	.36
Weighted average number of shares of				
common stock and common stock				
equivalents outstanding	694	688	684	685
Three months ended	Dec. 31, 1994	Sept. 30, 1994	June 30, 1994	Mar. 31, 1994
Three months ended (In millions, except per share amounts)	Dec. 31, 1994	Sept. 30, 1994	June 30, 1994	Mar. 31, 1994
	Dec. 31, 1994 \$3,401	Sept. 30, 1994 \$3,407	June 30, 1994 \$3,309	Mar. 31, 1994 \$3,221
(In millions, except per share amounts)				
(In millions, except per share amounts) Revenue				
(In millions, except per share amounts) Revenue Operating expenses:	\$3,401	\$3,407	\$3,309	\$3,221
(In millions, except per share amounts) Revenue Operating expenses: Telecommunications	\$3,401 1,764	\$3,407 1,765	\$3,309 1,715	\$3,221 1,672
(In millions, except per share amounts) Revenue Operating expenses: Telecommunications Sales, operations and general	\$3,401 1,764 999	\$3,407 1,765 952	\$3,309 1,715 933	\$3,221 1,672 906
(In millions, except per share amounts) Revenue Operating expenses: Telecommunications Sales, operations and general Depreciation	\$3,401 1,764 999 358	\$3,407 1,765 952 282	\$3,309 1,715 933 272	\$3,221 1,672 906 264
(In millions, except per share amounts) Revenue Operating expenses: Telecommunications Sales, operations and general Depreciation Income from operations	\$3,401 1,764 999 358 280	\$3,407 1,765 952 282 408	\$3,309 1,715 933 272 389	\$3,221 1,672 906 264
(In millions, except per share amounts) Revenue Operating expenses: Telecommunications Sales, operations and general Depreciation Income from operations Equity in income (losses) of affiliated companies	\$3,401 1,764 999 358 280 (6)	\$3,407 1,765 952 282 408	\$3,309 1,715 933 272 389	\$3,221 1,672 906 264 379
Revenue Operating expenses: Telecommunications Sales, operations and general Depreciation Income from operations Equity in income (losses) of affiliated companies Net income	\$3,401 1,764 999 358 280 (6) 151	\$3,407 1,765 952 282 408 1 220	\$3,309 1,715 933 272 389 1 215	\$3,221 1,672 906 264 379
Revenue Operating expenses: Telecommunications Sales, operations and general Depreciation Income from operations Equity in income (losses) of affiliated companies Net income Earnings applicable to common stockholders	\$3,401 1,764 999 358 280 (6) 151	\$3,407 1,765 952 282 408 1 220	\$3,309 1,715 933 272 389 1 215	\$3,221 1,672 906 264 379
Revenue Operating expenses: Telecommunications Sales, operations and general Depreciation Income from operations Equity in income (losses) of affiliated companies Net income Earnings applicable to common stockholders Earnings per common and common equivalent shares Weighted average number of shares of	\$3,401 1,764 999 358 280 (6) 151 151	\$3,407 1,765 952 282 408 1 220 220	\$3,309 1,715 933 272 389 1 215 214	\$3,221 1,672 906 264 379 209 209
Revenue Operating expenses: Telecommunications Sales, operations and general Depreciation Income from operations Equity in income (losses) of affiliated companies Net income Earnings applicable to common stockholders Earnings per common and common equivalent shares	\$3,401 1,764 999 358 280 (6) 151 151	\$3,407 1,765 952 282 408 1 220 220	\$3,309 1,715 933 272 389 1 215 214	\$3,221 1,672 906 264 379 209 209

In September and November 1995, the company acquired all of the outstanding shares of common stock of Nationwide and SHL, respectively. These acquisitions were accounted for as purchases; accordingly, the net assets and results of operations of the acquired companies are included in the information above since their respective acquisition dates.

The three months ended September 30, 1995 includes \$831 million of special pretax charges. Charges include a \$520 million asset write-down, \$216 million primarily of reorganization costs and \$95 million recorded as equity in income (losses) of affiliated companies where restructuring plans have been implemented or where an adjustment for recoverability was made.

The three months ended December 31, 1994 includes \$148 million of special pretax items. Items include incremental expenses of \$70 million associated with the launch of networkMCI BUSINESS and an additional \$63 million depreciation charge.

On September 30, 1994, BT completed the purchase of 136 million shares of the company's Class A common stock for \$4.3 billion, which resulted in a 20% voting interest in the company. This was achieved by the issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock. This investment is reflected in stockholders' equity.

Since there are changes in the weighted average number of shares outstanding each quarter, the sum of earnings per share by quarter may not equal the earnings per share for the applicable year.

REPORTS OF MANAGEMENT AND INDEPENDENT ACCOUNTANTS

REPORT OF MANAGEMENT

The management of the company is responsible for the financial information and representations contained in the financial statements, notes and all other sections of the annual report. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances to reflect, in all material respects, the substance of events and transactions which have occurred. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information in order to record the results of certain events and transactions.

The company maintains a system of internal controls designed to enable management to meet its responsibility for reporting reliable financial information. The system is designed to provide reasonable assurance that assets are safeguarded and transactions are recorded and executed with management's authorization. Internal control systems are subject to inherent limitations due to the necessity to balance costs incurred with benefits provided. The company believes that the existing system of internal controls provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected in a timely manner.

The board of directors pursues its oversight role for the financial statements through its audit committee, which is comprised solely of directors who are not officers or employees of the company. They are responsible for engaging, subject to stockholder approval, the independent accountants. The audit committee meets periodically with management and the independent accountants to review their activities in connection with financial reporting matters. The independent accountants have full and free access to meet with the audit committee, without management representatives present, to discuss the results of their examination and the adequacy and quality of internal controls and financial reporting.

The report of our independent accountants, Price Waterhouse LLP, appears herewith. Their audit of the financial statements includes a review of the company's system of internal controls and testing of records as required by generally accepted auditing standards.

David M. Case

Vice President and Controller

January 29, 1996

REPORT OF INDEPENDENT ACCOUNTANTS PRICE WATERHOUSE LLP



To the Board of Directors and Stockholders of MCI Communications Corporation

In our opinion, the consolidated balance sheets and the related consolidated income statements, statements of cash flows and stockholders' equity appearing on pages 14 through 28 present fairly, in all material respects, the financial position of MCI Communications Corporation and its subsidiaries at December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP January 29, 1996

rice Waterhouse 4P

Washington, D.C.

BOARD OF DIRECTORS

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Washington, DC

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Chief Executive

British Telecommunications plc

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Former Chairman and

Chief Executive Officer

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Chicago, Illinois

GORDON S. MACKLIN

Corporate Financial Advisor

Washington, DC

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Managing Director

Global Communications Division

British Telecommunications plc

K. RUPERT MURDOCH

Chairman and Chief Executive

The News Corporation Limited

DR. ALAN W. RUDGE

Deputy Chief Executive

British Telecommunications plc

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Strategic Enterprises, Inc.

Edwards, Colorado

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President and Chief Operating Officer

JUDITH WHITTAKER

Vice President – Legal

Hallmark Cards

Kansas City, Missouri

JOHN R. WORTHINGTON

Consultant

Washington, DC

OFFICERS

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Chairman and

Chief Executive Officer

GERALD H. TAYLOR

President and

Chief Operating Officer

TIMOTHY F. PRICE

President

MCI Telecommunications

Corporation

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Chief Financial Officer

MICHAEL J. ROWNY Executive Vice President

Ventures and Developing Markets

MICHAEL H. SALSBURY

Executive Vice President and

General Counsel

SETH D. BLUMENFELD

President

MCI International, Inc.

FRED M. BRIGGS

Chief Engineering Officer

ANGELA O. DUNLAP

Executive Vice President

Corporate Communications

JOHN W. GERDELMAN

President

networkMCI Services

WAYNE E. HUYARD

President

Mass Markets Sales and Service

SCOTT B. ROSS

President and

Chief Operating Officer

SHL Systemhouse Inc.

LANCE B. BOXER

Senior Vice President and

Chief Information Officer

BRIAN A. BREWER

Senior Vice President

Business Marketing

VINTON G. CERF

Senior Vice President

Data Architecture

DANIEL E. CRAWFORD

Chief Operating Officer

AVANTEL, S.A.

NATHANIEL A. DAVIS

Senior Vice President

Network Operations and President, MCImetro

JERRY A. DEMARTINO

Senior Vice President

Global Strategy and Development

DANIEL M. DENNIS

President

Strategic Accounts

JOHN G. DONOGHUE

Senior Vice President

Consumer Marketing

NANCY B. GOFUS

Senior Vice President

Concert

LAURENCE E. HARRIS

Senior Vice President

Public Policy

ROBERT B. HARTNETT

Regional President

Business Sales and Service

GERALD J. KOVACH

Senior Vice President

Government Relations

OMAR T. LEEMAN

Regional President

Business Sales and Service

JAMES L. LEWIS

Senior Vice President

Regulatory Affairs

DONALD T. LYNCH

Senior Vice President

Business Financial Operations

SHERRY R. MOREHOUSE

Senior Vice President

Network Planning & Engineering

SUSAN MAYER

Senior Vice President

Corporate Development

JAMES M. SCHNEIDER

Senior Vice President

Corporate Finance

WILLIAM D. WOOTEN

Senior Vice President and

Chief Human Resources Officer

C. BOLTON-SMITH, JR.

Secretary

DAVID M. CASE

Controller

JONELLE ST. JOHN

Treasurer

CORPORATE INFORMATION

ANNUAL STOCKHOLDERS MEETING

April 25, 1996 – 12 noon Ramada Hotel Classic Albuquerque, NM

COMMON STOCK TRANSFER AGENT AND REGISTRAR

Chemical Mellon Shareholder Services, LLC 85 Challenger Road Ridgefield Park, NJ 07606 1-800-934-6242 212-613-7427 Chemical Mellon's TDD number for the speech and hearing-impaired is I-800-231-5469

COMMON STOCK TRADED ON THE NASDAQ STOCK MARKET NASDAQ Symbol: MCIC.

TRUSTEE - SENIOR DEBT

Citibank, N.A.
Corporate Trust & Agency Company
120 Wall Street, 13th Floor
New York, NY 10043
1-800-422-2066
201-202-8644

TRUSTEE - SUBORDINATED DEBT

Bankers Trust Company Corporate Trust & Agency Company 4 Albany Street, 8th Floor New York, NY 10015 212-250-2500

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP 1301 K Street, N.W. Washington, DC 20005

DIVIDEND RECORD

In 1994 and 1995 MCI paid a dividend on its Common Stock of \$.025 per share in both June and December.

STOCK PRICE RANGE

		Sale Price			
Quarter Ended	High	Low	Close		
December 31, 1995	\$271/2	\$233/4	\$261/8		
September 30, 1995	271/8	207/8	261/16		
June 30, 1995	231/8	$19^{7}/64$	22		
March 31, 1995	211/4	$\frac{17^{3/8}}{}$	205/8		
December 31, 1994	\$251/2	\$171/4	\$183/8		
September 30, 1994	257/8	$21\frac{1}{2}$	$25^{3}/8$		
June 30, 1994	2415/16	$21\frac{3}{8}$	221/8		
March 31, 1994	29	225/8	$23^{3/8}$		

Record Holders of Common Stock at December 31, 1995: 51,239.

COMMON STOCK TRANSFER AGENT

The following inquiries should be made directly to stock-holder services at Chemical Mellon by calling 1-800-934-6242.

- > Change of address
- > Lost stock certificates
- > Dividend payments
- > Transfer of stock to another person
- > Other administrative concerns

CORPORATE INFORMATION/INVESTOR SERVICES

The following information is available without charge to stockholders and interested parties:

- > Annual Report
- ➤ Form 10K, annual report to the Securities and Exchange Commission
- ➤ Form 10Q, quarterly report to the Securities and Exchange Commission
- MCI Investor Quarterly

To request any of these publications or for additional information on the company, its finances, operations and services, contact:

Raymond C. Allieri

Vice President, Investor Relations MCI Communications Corporation 1801 Pennsylvania Avenue, N. W. Washington, DC 20006

Telephone: 1-800-765-2115

202-887-2028 Fax: 202-887-2967

MCI Mail: MCI Investor Relations Internet address: 640-5834@mcimail.com

MCI WORLDWIDE LOCATIONS

UNITED STATES

MCI WORLD HEADQUARTERS

BUSINESS MARKETING MCI Center Three Ravinia Drive Atlanta, GA 30346

1200 South Hayes Street Arlington, VA 22202 703–415-6000

MCI INTERNATIONAL, INC.

MCImetro 8521 Leesburg Pike Vienna, VA 22182 703-918-6000

networkMCI SERVICES

INFORMATION TECHNOLOGY 901 International Parkway Richardson, TX 75081

MCI SOFTWARE DEVELOPMENT 2424 Garden of the Gods Road Colorado Springs, CO 80919 719-535-1300

BUSINESS SALES & SERVICE

GREAT LAKES REGION Westchester, IL 60154 708-409-1300

PACIFIC REGION

3 Bala Plaza East Suite 700 Bala Cynwyd, PA 19004 610-668-2320

Atlanta, GA 30342 404-250-5500

SOUTHWEST REGION Dallas, TX 75240

MCI Plaza 6312 South Fiddlers Green Circle Suite 600 East Englewood, CO 80111 303-770-7474

1350 Euclid Avenue Suite 800 Cleveland, OH 44115

CORPORATE NATIONAL ACCOUNTS WEST 16th Floor Los Angeles, CA 90017 213-625-1005

CORPORATE NATIONAL ACCOUNTS EAST Concourse Corporate Center Six Atlanta, GA 30328 770-396-4000

CORPORATE NATIONAL ACCOUNTS NEW YORK 757 Third Avenue

AUSTRALIA BELGIUM BANGLADESH BOLIVIA COLOMBIA COSTA RICA COTE D'IVOIRE CZECH REPUBLIC ECUADOR EL SALVADOR **ETHIOPIA**

GUATEMALA HONG KONG HUNGARY IRAN IRELAND ISRAEL ITALY JAPAN

KUWAIT LEBANON MALAYSIA MEXICO **NETHERLANDS NETHERLANDS ANTILLES**

OMAN PAKISTAN PANAMA PERU POLAND PUERTO RICO

QATAR RUSSIA SAUDI ARABIA SINGAPORE SPAIN THAILAND TRINIDAD/TOBAGO TUNISIA TURKEY UNITED KINGDOM

INVESTMENTS, VENTURES AND DEVELOPING MARKETS

British Telecommunications plc (BT)

AVANTEL, S.A. Grupo Financiero Banamex-Accival (Banacci)

CORPORATION, INC.

ICS COMMUNICATIONS, INC.

CLEAR COMMUNICATIONS, LTD.

GENERAL COMMUNICATION, INC.

THE NEWS CORPORATION

NATIONWIDE CELLULAR

SHL SYSTEMHOUSE INC.

MCI COMMUNICATIONS CORPORATION 1801 Pennsylvania Avenue, N.W. Washington, D.C. 20006 202 872-1600



1994 Annual Report

MCI Communications Corporation

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MCI Worldwide Locations 29

In addition to being the second-largest provider of long distance communications in the U.S. and the third-largest carrier of international calling, MCI offers consumers and businesses a wide array of voice, data and video communications, local telecommunications services, on-line information, electronic mail, network management services and communications software.

This year's annual report reflects a more concise, cost-effective approach to reporting MCI's financial performance. Stockholders who want information in addition to financial reporting can contact MCI's Investor Relations Department at 1-800-765-2115 (Internet: 640-5834@mcimail.com).

For information on MCI* products and services contact MCI's national sales centers at the numbers below.

Teleconsumers: 1-800-444-3333 Business Customers: 1-800-937-6000 networkMCI BUSINESS: 1-800-955-5195

Integrated Client Services Division: 1-800-813-4491

MCI has become a major player in worldwide telecommunications by pursuing a clear, consistent strategy over the years:
1) grow market share profitably, 2) expand globally, and
3) leverage our core skills into new markets.

We delivered another strong performance in 1994 in line with that long-term strategy. MCI achieved 20 percent revenue market share, while net income increased more than 30 percent. We formed joint ventures with Pritish Telecommunications plc (BT) and Mexico's Grupo Financiero Banamex-Accival (Banacci). And we continued to build a portfolio of initiatives that position MCI to compete in new businesses.

Nineteen ninety-four was a pivotal year for MCI in terms of strategic progress, and 1995 will be even more so.

Grow Market Share Profitably

The core business continues to be a strong source of rapidly growing profits for MCI. Our focus in 1994 was to direct greater resources into higher-value products and services.

Revenue for the year was \$13.3 billion, an increase of nearly 12 percent over 1993 revenue of \$11.9 billion. MCI's \$1.4 billion revenue increase represents 38 percent of the \$3.8 billion growth in the overall long distance market.

Operating cash flow was a record \$2.7 billion. Net income, as reported, was \$795 million, or \$1.32 per share. Excluding unusual items, net income was \$887 million, or \$1.47 per share. Measured either way, net income increased more than 30 percent in 1994.

In the business market, revenue and minutes grew more than twice the overall industry rate, driven by double-digit increases in each major customer segment. Notably, MCI has gained six points of share in the 800 market since portability.

In the consumer market, MCI had strong revenue gains for the full year, although competitive pressures were intense late in the year. The full-year gains were driven by successful products like 1-800-COLLECT*, international calling and Personal 800*.

MCI's position as a technology leader was strengthened in 1994 with a \$2.9 billion capital investment. The majority of that was used to increase network capacity by more than one billion circuit miles. MCI also deployed technologies such as SONET and ATM that provide the bandwidth capacity and switching speed necessary for multimedia applications.

Expand Globally

MCI is now the world's third-largest carrier of international calling. Globally, our priorities are to continue serving consumers and businesses wherever they want to send or receive information, and to participate in key markets in the Americas.

On September 30, MCI and BT completed an historic \$4.3 billion alliance, together providing the resources, scale and talent to become the premier global competitive force.

Concert, our joint venture company with RT, was launched July 1 and has begun providing global voice and data network services to multinational businesses. Other carriers have now only announced their global alliances. Concert was the first to market with a virtual network product (Concert VNS, introduced in November) for connecting corporate locations in the U.S., Europe and the Asia-Pacific region.

MCI moved closer to its goal of completing a seamless North American network by forming AVANTEL, S.A., a joint venture with Banacci. AVANTEL will compete in Mexico's booming communications market, thus complementing our 1992 strategic alliance with Stentor (in Canada) and providing a gateway to potential opportunities in Latin America.

Pending governmental decisions regarding licensing and rights-of-way, AVANTEL will build a fiber-optic network linking the country's leading financial centers: Mexico City, Monterrey and Guadalajara.

Leverage Core Skills Into New Markets

MCI continued to increase its focus in 1994 on emerging markets, driven by the exciting convergence of communications, computing and content.

Foremost among our new ventures is our MCImetroSM subsidiary. As competitive barriers fall in the \$90 billion local telephone market, MCImetro will provide a full range of local wireline and enhanced services.

MCImetro has fiber-optic facilities up and running in Atlanta, Washington, D.C., Dallas, Boston, and Los Angeles. These facilities are used to connect business customers directly to their long distance company, lowering access costs. MCImetro is also moving ahead to install the switching equipment that will make it a full-service local telephone company—going beyond access services to actually providing dial tone.

MCI also acquired an interest in In-Flight Phone Corporation, which provides digital, air-to-ground communications, information and entertainment services to airline travelers.

In September 1994, MCI delivered a breakthrough product to the business market: networkMCI BUSINESS™. This is the first software package MCI has ever marketed. The ensemble provides single-source access to information banks, electronic mail, fax messaging, videoconferencing and, soon, on-line merchandising in an inexpensive, PC-based package.

One element of the ensemble is internetMCISM, a comprehensive set of Internet services from local access to on-line shopping. It will also offer the critical link in bringing commerce to the Internet: a secure environment for on-line transactions.

In the wireless market, MCI had announced in February 1994 a strategic alliance with Nextel Communications and Comcast Corporation to provide nationwide wireless communications. While that agreement was terminated in August, our wireless strategy has not changed: we plan to offer a nationwide branded MCI wireless service. MCI chose not to participate in the Personal Communications Services (PCS) auctions. As a result, MCI is in the advantageous position of being able to associate with any of the companies providing the underlying facilities in major markets.

Why have we chosen this path? Because for MCI, wireless is a product, not a specific technology. Ownership control of wireless networks is not a necessary ingredient to a successful wireless strategy. We intend to offer nationwide wireless services that are bundled with current services; access wireless platforms to design products that are uniquely MCI's; and plug in our intelligent network and service centers to create unified service and billing environments.

Looking Ahead at 1995

MCI is well-positioned to take advantage of future opportunities because it has some of the rarest resources in telecommunications: powerful brands, global reach, an intelligent network capable of delivering the products and services customers demand, and a nationwide sales and service force. The first days of 1995 provided good evidence of these capabilities.

In January, we unveiled Friends & Family ConnectionsSM, the latest extension of the top brand in this industry. It is the first consumer communications service that integrates all the ways Americans stay in touch—paging, electronic mail, personal 800 services, calling cards and more.

MCI's paging services, Friends & Family Paging and networkMCI PAGING, were introduced and integrated into our branded consumer and business products. These services are the result of agreements announced January 6 with Paging Network, Inc. (PageNet) and SkyTel Corporation.

Also in January, we achieved our largest commercial contract win ever—a multi-year agreement with the General Electric Company. GE will use a variety of MCI voice and data services to enhance customer service and information transmission among its hundreds of locations worldwide.

We will make significant progress this year positioning MCI in the local telephone market. By year-end, MCImetro will have fiber-optic networks operational in 20 major cities. These cities represent 40 percent of the business access market. How aggressively we can expand in the local market will depend on how quickly regulatory barriers fall. So MCI will be deeply involved, as always, in the legislative and regulatory arenas.

Telecommunications reform is on the agenda of the Congress and many states. MCI has long maintained that the top priority of telecommunications public policy should be enabling real,

effective competition in the local telephone market. Until the Bell Operating Companies lose their local monopoly control, which carries with it both the ability and incentive to impair competition in long distance, they should not be allowed to compete in long distance. If local competition is not mandated through federal legislation, then MCI will continue working state by state toward that goal.

MCI is evolving from a company focused solely on delivering voice and data to a company delivering applications that integrate the worlds of communications, computing and content. We will continue in 1995 doing what we started in 1994: using our strong financial position to make strategic investments, adding vitality to our core business while establishing MCI in emerging opportunities across multiple industries.

We believe that this strategic direction requires using a portfolio approach to measure our performance and value. While we view traditional earnings per share measurements as important, operating cash flow and other indicators also may be appropriate gauges for our strategic initiatives and investments, and even our core business in the future. These alternative measurements are consistent with those being applied to other companies in the emerging markets that MCI is addressing.

To help investors more clearly assess and focus upon our strategic direction, MCI will provide additional financial information about its new business initiatives starting this year.

The Future

Telecommunications is no longer just about sending sound, text or images along copper wires, optical fibers or even in the air. It is also about computer-telephony integration and the distribution of digitized content.

So while we continue to nourish and grow profitably our core long distance business, MCI will also be acquiring electronic gateways and developing the technological infrastructure to ensure we provide the global voice, data, information and entertainment services our customers demand. We will preserve and enhance our entrepreneurial culture so that MCI will always respond to customers through product leadership and premier customer service.

Bringing competition to the long distance market was the experience of a lifetime for MCI employees, and it continues to create significant value for customers and investors. But compared to where we are headed, it will be just a footnote.

Bert C. Roberts, Ir.

Chairman and Chief Executive Officer

Best Robert

February 24, 1995

Year ended December 31,	1994	1993	1992	1991	1990
(In millions, except per share amounts and employees)					
Summary of Operations					
Revenue	\$ 13,338	\$ 11,921	\$ 10,562	\$ 9,491	\$ 8,454
Total operating expenses	(11,882)	(10,653)	(9,351)	(8,400)	(7,834)
Income from Operations	1,456	1,268	1,211	1,091	620
Interest expense	(153)	(178)	(218)	(212)	(213)
Interest income	50	8	3	6	21
Income before extraordinary item	795	627	609	551	299
Net income	795	582	609	551	299
Earnings Applicable to Common Stockholders Earnings per common and common equivalent shares:	794	581	589	522	270
Income before extraordinary item	1.32	1.12	1.11	1.00	.53
Loss on early debt retirements	1.02	(.08)	1.11	1.00	.55
Total	1.32	1.04	1.11	1.00	.53
Cash dividends per share	.05	.05	.05	.05	.05
Balance Sheet					
Cash and cash equivalents and marketable securities	\$ 3,092	\$ 165	\$ 235	\$ 51	\$ 231
Gross investment in communications system	13,408	11,618	10,316	9,684	8,708
Annual investment in communications system	2,885	2,095	1,371	1,381	1,283
Total assets	16,366	11,276	9,678	8,834	8,249
Long-term debt	2,997	2,366	3,432	3,104	3,147
Stockholders' equity	9,004	4,713	3,150	2,959	2,340
Operations					
Capacity circuit miles	4,767	3,556	2,107	1,888	1,477
Billable calls	19,411	16,484	14,245	12,189	9,914
Number of full-time employees	40,667	36,235	30,964	27,857	24,509

In 1994, British Telecommunications plc (BT) completed the purchase of 136 million shares of the company's recently authorized Class A common stock for \$4.3 billion, resulting in a 20 percent voting interest in the company. This was achieved by the issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock. This investment is reflected in stockholders' equity.

All per share amounts prior to and including 1993 have been retroactively restated as a result of a two-for-one stock split in the form of a 100% stock dividend issued on July 9, 1993.

In August 1990, the company acquired all the outstanding shares of common stock of Telecom*USA. The acquisition was accounted for as a purchase; accordingly, the net assets and results of operations of Telecom*USA are included in the information above since the acquisition date.

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

In 1994, the company continued to operate in a single industry segment, the long distance telecommunications industry. More than 90% of its operating revenue and assets relate to activities in this industry.

Financial Summary

Revenue grew \$1.4 billion or 12% to \$13.3 billion in 1994 versus 13% and \$1.4 billion in 1993. The company's revenue growth was 38% of the total industry revenue growth estimated at \$3.8 billion in 1994. Also in 1994, the company's revenue and traffic grew at the same rate, marking an improvement in the variance between revenue and traffic growth experienced during 1993.

	1994 vs 1993	1993 vs 1992	
% increase in revenue	12%	13%	
% increase in traffic	12%	14%	
Revenue to traffic variance	-	(1)%	

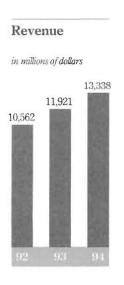
The positive movement resulted primarily from growth in international and data revenue in 1994. Although international and data revenues are expected to continue to provide a positive impact on this variance in 1995, competitive pressures in the consumer marketplace may have an unfavorable impact. The revenue to traffic variance in 1993 generally reflected the

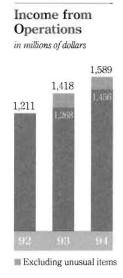
impact of various product promotions and discounts, changes in the mix of products sold and migration of some business customers to lower-priced products.

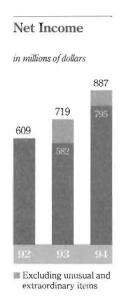
Income from operations increased 15% to \$1,456 million in 1994 from \$1,268 million in 1993, following a 5% increase in 1993. Operating margins increased to 10.9% in 1994 from 10.6% in 1993. The 1994 increase was primarily attributable to cost savings realized in telecommunications expense. In 1994 and 1993, operating income was affected by unusual items of \$133 million and \$150 million, respectively. Excluding these items, which are discussed below, operating income and margins would have been \$1,589 million or 11.9%, and \$1,418 million or 11.9%, in 1994 and 1993, respectively.

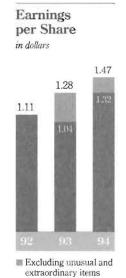
Earnings were \$794 million or \$1.32 per share, \$581 million or \$1.04 per share and \$589 million or \$1.11 per share, for 1994, 1993 and 1992, respectively. The investment in the company by British Telecommunications plc (BT), completed on September 30, 1994, had a dilutive impact on earnings per share in 1994 and 1993, and will have a full year dilutive impact on earnings per share in 1995. All earnings per share amounts have been restated as a result of a two-for-one stock split in the form of a 100% stock dividend issued on July 9, 1993.

Excluding unusual items and an extraordinary loss on early debt retirements in 1993, earnings per share in 1994 and 1993 would have been \$1.47 and \$1.28, respectively. The 1994 unusual pre-tax items of \$148 million consisted of \$70 million incremental advertising and sales expense related to the launch of networkMCI BUSINESS, a \$63 million additional depreciation charge to recognize the reduced utility of older









asynchronous fiber-optic transmission and other equipment, a \$25 million charge in connection with the settlement of two 900 service class action lawsuits and a \$10 million gain on the sale of the company's interest in AAP Telecommunications Pty. Ltd. (AAPT). The 1993 pre-tax charge of \$150 million was primarily to recognize costs associated with the company's strategic realignment, streamlining of engineering and network operations facilities and relocation of certain operations to lower cost areas, virtually all of which were completed in 1994. In addition, 1993 included an extraordinary loss of \$45 million, net of tax benefit, for the early retirement of debt.

British Telecommunications Investment

On September 30, 1994, the company and BT completed their global alliance. This alliance enables both companies to draw upon their combined technical, financial and marketing strengths to provide enhanced and value-added global telecommunications services. This alliance included several financial transactions. First, BT purchased a 20% voting interest in the company for approximately \$4.3 billion at a blended purchase price of \$32 per share. This amount included \$830 million paid in June 1993. Second, the company invested approximately \$79 million for a 24.9% interest in Concert Communications Company (Concert), a business venture launched by BT in July 1994 to provide global telecommunications services for business customers. The company intends to continue making contributions to Concert in order to maintain its proportionate interest. Third, reflecting the geographic world marketing segmentation as envisioned in the alliance, the company purchased from BT both substantially all of the operations of BT North America Inc. (BTNA) in January 1994 for \$108 million and a 23.5% interest in Belize Telecommunications Ltd. in February 1995 for approximately \$19 million. The company also divested its interest in AAPT of Australia in October 1994.

Alliances, Investments and Initiatives

In January 1994, the company announced the formation of MCImetro, a wholly-owned subsidiary, which will provide a full range of basic and enhanced local telecommunications services through fiber-optic networks and local switching centers throughout the U.S., as regulatory authorities permit. The company's goals, with respect to MCImetro, are to reduce the fees it pays to local phone companies to access its customers and to prepare for the provision of local telecommunications services as the local market becomes competitive. MCImetro has applications with utility regulators pending in 6 states to provide local phone service and is authorized to provide local service in the following five states: Maryland, Washington, New York, Massachusetts and Wisconsin. MCImetro is engineering and constructing networks in a number of U.S. cities and currently owns or operates conduit and fiber cable facilities in more than 200 U.S. cities. The company is planning capital expenditures of approximately \$500 million for MCImetro during 1995 and expects to make significant additional investments in MCImetro over the next several years.

In June 1994, the company made an investment in In-Flight Phone Corporation (In-Flight). In-Flight provides airline passengers digital air-to-ground communications services.

In September 1994, the company launched networkMCI BUSINESS, an integrated software application which provides e-mail, fax messaging, information services/automated news monitoring, document sharing, and videoconferencing capability and which will soon provide access to online multimedia business catalogs and the Internet.

In October 1994, the company formed a Mexican alliance, AVANTEL, S.A. (AVANTEL), which along with the company's alliance with Stentor in Canada, will complete its seamless North American network. AVANTEL is a business venture formed by the company and Grupo Financiero Banamex-Accival (Banacci) to provide competitive domestic and international long distance telecommunications services in Mexico. The company's cash investment in the business venture is expected to be \$450 million over the next several years. The transaction with Banacci is subject to the grant of a concession from the government of Mexico and the satisfaction of various other conditions.

In January 1995, the company formalized agreements with two of the nation's largest wireless messaging companies, SkyTel Corporation and Paging Network, Inc., that will enable the company to integrate paging and wireless messaging services with certain of the company's residential and business products. Following the execution of these agreements, the company introduced networkMCI PAGING and Friends & Family Paging, which is a component of Friends & Family Connections. Friends & Family Connections is a new offering for the residential consumer which combines paging and electronic mail along with the company's voice offerings. The company is exploring other alternatives to enable it to compete successfully in the nationwide wireless markets.

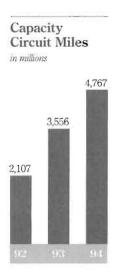
As most of the aforementioned alliances and investments are in the early stages of development, the company anticipates net losses on them in 1995.

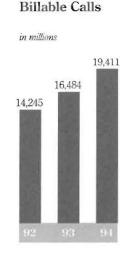
Recent Accounting Pronouncements

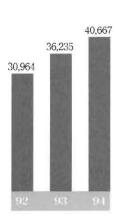
The American Institute of Certified Public Accountants (AICPA) has issued Statement of Position (SOP) 93-7, "Reporting on Advertising Costs." SOP 93-7 provides guidance on accounting and reporting of advertising costs. In general, SOP 93-7 requires reporting the costs of all advertising as expenses in the periods in which the costs are incurred, or the first time the advertising takes place. One exception is for direct-response advertising, the primary purpose of which is to elicit sales to customers who could be shown to have responded specifically to the advertising, and which results in probable future benefits. Such direct-response advertising costs should be recorded as assets and amortized over the estimated period of the benefits. SOP 93-7 is effective for financial

statements for years beginning after June 15, 1994. The company anticipates that SOP 93-7 will not have a material impact on the company's results of operations in 1995.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 119, "Disclosure About Derivative Financial Instruments and Fair Value of Financial Instruments." SFAS No. 119 requires disclosures about amounts, nature, terms of derivative financial instruments and whether financial instruments are held or issued for trading purposes. SFAS No. 119 is effective for financial statements issued for fiscal years ending after December 15, 1994. The company uses derivatives to manage interest rate risk and foreign currency rate fluctuations. It does not engage in speculation. As of December 31, 1994, the amount of derivative financial instruments held by the company was not material.







Number of Full-

time Employees

Year ended December 31,		1994		1993		1992
(In millions, except per share amounts)						
Revenue	\$13	3,338	\$1	1,921	\$1	0,562
Operating expenses						
Telecommunications	(5,916		6,373		5,684
Sales, operations and general	3	3,790		3,310		2,794
Depreciation	1	1,176		970		873
Total operating expenses	13	1,882	1	0,653		9,351
Income from operations		1,456		1,268		1,211
Interest expense		(153)		(178)		(218)
Interest income		50		8		3
Other expense, net		(73)		(53)		(33)
Income before income taxes and extraordinary item	1	1,280		1,045		963
Income tax provision		485		418		354
Income before extraordinary item		795		627		609
Extraordinary loss on early debt retirements, less applicable tax						
benefit of \$26 million		-		45		-
Net income	\$	795	\$	582	\$	609
Dividends on preferred stock		1		1		20
Earnings applicable to common stockholders	\$	794	\$	581	\$	589
Earnings per common and common equivalent shares						
Income before extraordinary item	S	1.32	\$	1.12	\$	1.11
Loss on early debt retirements	-	-	4	(.08)	Ψ.	
Total	\$	1.32	\$	1.04	\$	1.11
Weighted average number of common shares		604		562		532

See accompanying Notes to Consolidated Financial Statements

Management's Discussion and Analysis of Results of Operations

Revenue

Business Markets

Revenue and traffic volume in the business market grew in 1994 and 1993 primarily as a result of the continued success of the company's virtual private network product (Vnet*), its Vision* and Preferred* products, particularly the 800 service components of these products, and international traffic. A portion of this growth was attributable to the FCC's 800 service number portability ruling which took effect in May 1993. Traffic and revenue growth in these periods were also enhanced by the company's introduction of its Proof Positive* service in 1993, which continued to be a success in 1994. The company's various data products also experienced revenue growth during 1994, attributable in part to the company's purchase of BTNA, and are expected to continue to grow due to the anticipated increases in demand.

Consumer Markets

Increased competitive pressure in the consumer market caused residential traffic and revenue to grow at a slower rate in 1994 than 1993. Revenue and traffic growth in both 1994 and 1993 was derived primarily from the company's Friends & Family* brand of products, 1-800-COLLECT, and the international and multilingual markets.

Although the company anticipates continued revenue growth in the consumer market, the previously mentioned decline in the rate of revenue growth could continue into 1995. In response to these competitive pressures, in January 1995, the company announced an extension to the Friends & Family brand of products, NEW Friends & Family. NEW Friends & Family, a part of Friends & Family Connections, is a more flexible discount program designed to reestablish the company's savings position and benefit a wider range of consumers. While the company expects this product to be well-received, it is too early to evaluate its impact on the company's results of operations.

Telecommunications Expense

The principal components of telecommunications expense are the cost of access facilities provided by local exchange carriers and other domestic service providers, and payments made to foreign telephone companies (international settlements) to complete calls made from the U.S. by the company's customers. Telecommunications expense as a percentage of revenue decreased to 51.9% in 1994 from 53.5% in 1993 and 53.8% in 1992. These decreases were due to reductions in domestic access and international settlement rates, and to efficiencies resulting from operator services automation. The company expects access and international settlement charges to continue to trend downward in 1995.

Sales, Operations and General

Sales, operations and general expenses increased as a percentage of revenue to 28.4% in 1994 from 27.8% in 1993 and 26.5% in 1992. Excluding incremental expenses of \$70 million for the launch of networkMCI BUSINESS in 1994 and the \$150 million realignment charge in 1993, sales, operations and general expenses would have been 27.9% and 26.5% of revenue in 1994 and 1993, respectively. The 1994 increase as a percentage of revenue was primarily due to higher personnel costs, higher levels of advertising, and related sales and marketing expenses.

Depreciation

Depreciation expense was \$1,176 million in 1994 and \$970 million in 1993, an increase of 21% and 11%, respectively, over the prior year. These increases correspond with the company's continuing expansion of its communications network. Included in the 21% increase in 1994 was an additional \$63 million depreciation charge to recognize the reduced utility of older asynchronous fiber-optic transmission equipment and to reflect the results of an asset utilization review. The company expects depreciation expense to continue to increase with the expansion of the communications system network.

Other

Interest expense decreased in 1994 and 1993 from the prior years. These decreases resulted from lower average debt balances combined with increases in capitalized interest, which is consistent with the company's increased investment in its communications system during 1994 and 1993. The decrease in 1993 interest expense compared to 1992 was also a result of interest savings from the early retirement of debt and a decline in interest rates during 1993.

Interest income increased significantly in 1994 from 1993 and 1992 due to investment of the BT proceeds. The amount of interest income to be recognized in 1995 will depend upon the timing and investment of existing cash balances currently invested in short and medium-term marketable securities.

Other expense, net increased by \$20 million in 1994 primarily due to a \$25 million charge in connection with the settlement of two class action suits relating to the provision of 900 services and to a \$16 million loss related to the company's share of the newly formed business venture, Concert, offset by a \$10 million gain on the sale of the company's equity investment in AAPT. Due to the start-up nature of Concert, losses of \$10 to \$15 million per quarter are expected to continue in 1995.

December 31,	1994	1993
(In millions)		-
Assets		
Current assets		
Cash and cash equivalents.	\$ 1.429	\$ 165
Marketable securities	839	Ψ 100
Receivables, net of allowance for uncollectibles of \$226 and \$211 million	2,266	2,131
Other current assets	354	305
Total current assets	4.888	2,601
	4,000	2,001
Communications system	0.766	8,563
System in service.	9,766	
Other property and equipment.	2,452	2,172
Total communications system in service.	12,218	10,735
Accumulated depreciation	(4,349)	(4,297)
Construction in progress	1,190	883
Total communications system, net	9,059	7,321
Other assets		
Goodwill, net	1,103	1,093
Noncurrent marketable securities	824	_
Investment in affiliates	199	30
Other assets and deferred charges, net	293	231
Total other assets	2,419	1,354
Total assets	\$16,366	\$11,276
Liabilities and stockholders' equity		
Current liabilities		
Accrued telecommunications expense	\$ 1,505	\$ 1,507
Accounts payable	609	742
Other accrued liabilities	893	737
Long-term debt due within one year	130	215
Total current liabilities	3,137	3,201
Noncurrent liabilities		
Long-term debt	2,997	2,366
Deferred taxes and other	1,228	996
Total noncurrent liabilities	4,225	3,362
Stockholders' equity	AVANCES	
Preferred stock, \$.10 par value, authorized 50 million shares and 20 million shares:		
Series D convertible, outstanding 0 and 13,736 shares	-	1
Class A common stock, \$.10 par value, authorized 500 million and 0 shares,		
issued and outstanding 136 million and 0 shares	14	-
Common stock, \$.10 par value, authorized 2 billion and 800 million shares,		
issued 592 million shares	60	60
Additional paid in capital	6,227	2,493
Retained earnings	3,548	2,785
Treasury stock at cost, 48 and 51 million shares.	(845)	(626)
Total stockholders' equity	9,004	4,713
Total liabilities and stockholders' equity	\$16,366	\$11,276
Section of the sectio		

See accompanying Notes to Consolidated Financial Statements

Management's Discussion and Analysis of Financial Condition, Liquidity and Capital Resources

The Balance Sheet shows the company's financial condition at 1994 year end compared with the previous year end. This section provides information to assist in assessing factors such as the company's liquidity and financial resources.

Working Capital

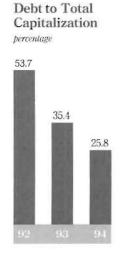
The company had positive working capital (current assets less current liabilities) of \$1.8 billion as of December 31, 1994, while it had a working capital deficit of \$600 million as of December 31, 1993. The significant increase is primarily attributable to the \$3.5 billion received by the company in September 1994 from BT. Approximately \$2.2 billion of these proceeds were invested in short-term marketable securities. The remaining funds were invested in high-grade medium-term marketable securities which primarily have maturities of less than three years, as of December 31, 1994. In addition, during 1994 the company repaid \$93 million principal amount of maturing Senior Notes.

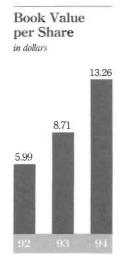
Communications System

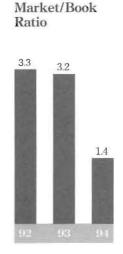
In 1994, the company continued to increase its investment in its communications system to increase network capacity and capability and to enhance network intelligence to meet customers' increasing demands for new products and services and to improve redundancy. Synchronous Optical Network (SONET) technology, which enables the provision of high-speed multimedia applications and information services, is

now being deployed throughout the company's domestic network and is expected to be operational on international routes by year end 1995. Cash outflows for the communications system and customer-specific equipment were approximately \$2.9 billion and \$1.7 billion in 1994 and 1993, respectively. The company's investment during 1994 was funded with cash generated from operating activities, debt issuances and the BT proceeds. Retirements were \$1.1 billion and \$792 million in 1994 and 1993, respectively.

Funding of Alliances, Investments and Initiatives In 1995, the company plans to spend approximately \$3 billion on capital expenditures. This includes \$2.3 billion for the network, \$500 million for MCImetro and \$200 million for new service initiatives. In addition, the company expects to invest approximately \$450 million on strategic investments. This funding will be achieved with the company's existing cash and cash equivalents, marketable securities and cash flows from operating activities. Cash and cash equivalents and marketable securities as of December 31, 1994 totaled approximately \$3.1 billion. The company also has available a \$2 billion bank credit facility which expires in July 1999 and is available to support the company's commercial paper program. In addition, on December 30, 1994, the company filed a \$1 billion shelf registration which will enable the company to issue debt securities with a range of maturities at either fixed or variable rates. There were no amounts outstanding under such registration statement, the commercial paper program or the credit facility at December 31, 1994.







Year ended December 31,	1994	1993	1992
(In millions)			
Operating activities			
Receipts from customers	\$ 13,298	\$11,546	\$10,328
Payments to suppliers and employees	(10,472)	(9,106)	(8,156)
Taxes paid.	(393)	(321)	(292)
Interest paid	(100)	(150)	(156)
Interest received	22	9	2
		A Leven Born	
Cash from operating activities	2,355	1,978	1,726
Investing activities			
Cash outflow for communications system	(2,790)	(1,635)	(1,251)
Cash outflow for customer-specific equipment	(107)	(98)	(21)
Purchases of marketable securities	(4,096)	_	-
Proceeds from sales of marketable securities.	2,424	3	7
Investment in affiliates	(284)	(8)	22
Other, net	(64)	(21)	(18)
Cash used for investing activities	(4,917)	(1,759)	(1,261)
Net cash flow before financing activities	(2,562)	219	465
Financing activities			
Issuance of Senior Notes and other debt	939	7FC	401
Retirement of Senior Notes and other debt.		756	481
	(246)	(1,468)	(218)
Commercial paper and bank credit facility activity, net	(239)	(497)	(69)
Issuance of preferred stock	-	830	_
Redemption of preferred stock	-	_	(400)
Issuance of Class A common stock	3,510	_	_
Issuance of common stock for employee plans	248	319	168
Payment of dividends on common and preferred stock	(32)	(28)	(56)
Purchase of treasury stock	(354)	(198)	(180)
Cash from (used for) financing activities	3,826	(286)	(274)
Net increase (decrease) in cash and cash equivalents	1,264	(67)	191
Cash and cash equivalents at beginning of year	165	232	41
Cash and cash equivalents at end of year	\$ 1,429	\$ 165	\$ 232
Reconciliation of net income to cash from operating activities:			
Net income	\$ 795	\$ 582	\$ 609
Adjustments to earnings:			
Depreciation and amortization	1,230	1,019	955
Deferred income tax provision	269	253	213
Net change in operating activity accounts:			
Receivables	(135)	(370)	(155)
Payables	36	(68)	(120)
Other operating activity accounts	160	562	224
Cash from operating activities	\$ 2,355	\$ 1,978	\$ 1,726
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See accompanying Notes to Consolidated Financial Statements

Management's Discussion and Analysis of Cash Flows

Changes in cash and cash equivalents result from changes in cash flows from operating, financing and investing activities which are explained below. Earnings before interest, taxes, depreciation and amortization (EBITDA) is another measure of the company's ability to generate cash flows.

EBITDA

EBITDA, excluding unusual items, increased 13% to \$2,702 million in 1994 from \$2,388 million in 1993. Many investment professionals consider EBITDA, also known as operating cash flow, to be a useful indicator of the company's ability to generate cash flow. EBITDA should be considered in addition to, but not as a substitute for, or superior to, operating income, net income, cash flow, and other measures of financial performance reported in accordance with generally accepted accounting principles.

Cash From Operating Activities

Cash from operating activities increased 19% and 15% in 1994 and 1993, respectively, paralleling the growth in the company's income from operations in such periods. In general, cash from operating activities has been the company's primary source of cash to finance capital expenditures and other investments. In 1994, financing activities were also a significant source of cash as a result of the BT transaction and debt issuances.

Cash Used for Investing Activities

Cash used for investing activities grew in 1994 and 1993, mainly because of increases in year-over-year expenditures for the company's communications system of \$1,155 million and \$384 million in 1994 and 1993, respectively. The continued investment in the company's transmission network, switching facilities and SONET technology was required to meet customers' demands for new services, redundancy and enhanced network intelligence. Additionally, during 1994, the company invested most of the BT proceeds in short and medium-term marketable securities, purchased substantially all the operations of BTNA for \$108 million, made an investment in Concert of \$79 million and completed several other strategic investments totaling \$97 million.

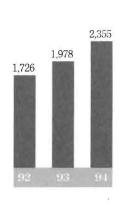
Cash From Financing Activities

Cash from financing activities increased significantly in 1994 as a result of the issuance of 108.5 million shares of Class A common stock to BT for a cash payment of \$3.5 billion on September 30, 1994. As a result of this equity infusion from BT, the company's ratio of debt to total capitalization, defined as total debt to total debt plus equity, has declined to 26% at December 31, 1994 from 35% at December 31, 1993. In March 1994, the company issued an aggregate principal amount of \$950 million of Senior Notes and Debentures and from these issuances repaid commercial paper borrowings with a substantial portion of the proceeds. The remaining proceeds were used for general corporate purposes. During 1994, the company also repaid \$93 million of maturing Senior Notes.

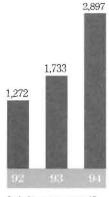




Cash from Operations in millions of dollars



Capital
Expenditures
in millions of dollars



Includes customer-specific equipment

Statements of Stockholders' Equity

	Preferred Stock	Class A Common Stock	Common Stock	Additional Paid in Capital	Retained Earnings	Treasury Stock, at Cost	Stock- holders' Equity
(In millions)							
Balance at December 31, 1991	\$1	_	\$ 30	\$1,788	\$1,669	S(529)	\$2,959
Preferred stock redeemed	(1)	_	-	(399)	-	=	(400)
stock and benefit plans (10 million shares) Tax benefit of common stock transactions	_	1-	_	72	_	129	201
related to employee benefit plans	-	-	_	18	_	-	18
Net income	_	_	_	_	609	-	609
Common and preferred dividends	_	_	_	_	(47)	_	(47)
Treasury stock purchased (6 million shares)		-	_		_	(190)	(190)
Balance at December 31, 1992 Common stock issued for employee	<u> </u>	741	30	1,479	2,231	(590)	3,150
stock and benefit plans (23 million shares)	-	-	=	179	_	160	339
Tax benefit of common stock transactions related to employee benefit plans			-	36	_	÷.	36
Net income	-	-		_	582	_	582
Common and preferred dividends	_	-	-	_	(28)		(28)
Convertible preferred stock issued	1	-	-	829	_	-	830
stock dividend	-	-	30	(30)		_	_
Treasury stock purchased (8 million shares)					_	(196)	(196)
Balance at December 31, 1993	1	_	60	2,493	2,785	(626)	4,713
and preferred stock converted	(1)	\$14	100	3,496	=	7	3,509
stock and benefit plans (18 million shares) Tax benefit of common stock transactions	-	-	-	180	70	124	304
related to employee benefit plans			_	63	-	_	63
Unrealized loss on marketable securities	_		-	(5)	-	_	(5)
Net income	-	-	_	- A	795	_	795
Common and preferred dividends	12	-	_		(32)		(32)
Treasury stock purchased (15 million shares)		5	4100	_	25	(343)	(343)
Balance at December 31, 1994	S -	\$14	\$ 60	\$6,227	\$3,548	\$(845)	\$9,004

See accompanying Notes to Consolidated Financial Statements

Note 1. Significant Accounting Policies

Principles of Consolidation

The financial statements include the consolidated accounts of MCI Communications Corporation and its majority-owned subsidiaries (collectively, the company) with all significant intercompany transactions eliminated. The company uses the equity method to account for entities in which it has less than a majority interest but can exercise significant influence. Other investments are recorded at cost.

Revenue

The company records as revenue the amount of communications services rendered, as measured primarily by the minutes of traffic processed, after deducting an estimate of the traffic which will be neither billed nor collected.

Communications System

The investment in communications system is recorded at cost and includes material, interest, labor and overhead. The costs of construction and equipment are transferred to communications system in service as construction projects are completed and/or equipment is placed in service. Depreciation is recorded commencing with the first full month that the assets are in service and is provided using the straight-line method over their estimated useful lives. Most of the company's communications system assets are grouped in like pools for depreciation purposes. For these asset groups, the cost of equipment retired in the ordinary course of business, less proceeds, is charged to accumulated depreciation. The company periodically reviews and adjusts the useful lives assigned to fixed assets to ensure that depreciation charges provide appropriate recovery of capital costs over the estimated physical and technological lives of the assets. The weighted average depreciable life of the assets comprising the communications system in service approximates 10 years. Other property and equipment includes buildings and administrative assets that are depreciated using lives of up to 35 years. Maintenance and repairs are charged to expense as incurred.

Goodwill

Goodwill represents the excess of the cost to acquire subsidiaries over the estimated fair market value of the net assets acquired. These amounts are amortized using the straight-line method over lives ranging from 10 to 40 years. Accumulated amortization at December 31, 1994 and 1993 was \$131 million and \$101 million, respectively.

Other Assets and Deferred Charges

Included in other assets and deferred charges are rights-of-way agreements with third parties, debt issuance costs and unamortized customer discounts and service incentives. Rights-of-way costs are amortized as the assets are placed in service, over the lesser of the remaining term of the agreements or 25 years. Debt issuance costs are amortized over the life of the applicable debt. Deferred customer discounts and service incentives are amortized over the life of the specific contract to which they relate.

Capital Leases

Certain of the company's lease obligations meet the criteria of a capital lease. These obligations are recorded for financial reporting purposes at the present value of the future lease payments, including estimated bargain purchase options, discounted at the approximate interest rate implicit in each lease. Corresponding amounts are capitalized and depreciated over the estimated useful lives of the equipment, which are generally longer than the terms of the leases.

Income Taxes

The company files a consolidated federal income tax return on a March 31 fiscal year end. Deferred income taxes are provided on transactions which are reported in the financial statements in different periods than for income tax purposes. Effective January 1, 1993, the company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes. The adoption of SFAS 109 had no impact on the company's results of operations for the year ended December 31, 1993. Income tax benefits of tax deductions related to common stock transactions with the company's employee benefit plans are recorded directly to additional paid in capital.

Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share amounts are based on the weighted average number of shares of common stock outstanding during each year adjusted for the effect of common stock equivalents arising from the assumed exercise of stock options, if dilutive, and the assumed conversion of the Series D convertible preferred stock in 1993 and the subordinated convertible debt in 1992. Fully diluted earnings per share are not materially different from primary earnings per share.

Cash and Cash Equivalents

Cash equivalents consist primarily of certificates of deposit, securities of the U.S. Government and its agencies and corporate debt securities all having maturities of ninety days or less when purchased. The carrying amount reported in the accompanying balance sheet for cash equivalents approximates fair value due to the short-term maturity of these instruments.

At December 31, 1994 and 1993, checks not yet presented for payment of \$192 million and \$193 million in excess of cash balances, respectively, were included in current liabilities. The company had sufficient funds available to cover these outstanding checks when they were presented for payment.

Marketable Securities

The company adopted Statement of Financial Accounting Standards No. 115 (SFAS 115), Accounting for Certain Investments in Debt and Equity Securities, on January 1, 1994. SFAS 115 established new accounting and reporting requirements for certain debt and equity securities. Since the company does not intend to hold its securities for trading purposes or until maturity, SFAS 115 requires the company to classify and record its securities as available-for-sale. In accordance with the provisions of SFAS 115, investments classified as available-for-sale are recorded at fair value and any holding gains and losses are excluded from earnings and reported as a net amount in additional paid in capital until realized. The fair values are based on quoted market prices. Realized gains and losses are recorded in the income statement and the cost assigned to securities sold is based on the specific identification method.

Foreign Exchange Contracts and Interest Rate Swaps

The company enters into foreign exchange contracts and interest rate swap agreements to hedge its foreign currency risks and reduce its interest rate exposure (see Note 5). While the company does not engage in speculation, it is exposed to credit loss in the event of nonperformance by the other parties to the agreements. The company manages this credit risk by regularly monitoring and evaluating the counterparties. As of December 31, 1994, the fair values of and potential risk of loss on these agreements were not material.

Reclassification

Certain prior year information has been reclassified to conform to the current year presentation.

Note 2. British Telecommunications Investment

On September 30, 1994, British Telecommunications plc (BT) completed the purchase of 136 million shares of the company's recently authorized Class A common stock for \$4.3 billion in cash, resulting in its ownership of a 20% voting interest in the company. This purchase was achieved by the company's issuance of 108.5 million shares of Class A common stock to BT for \$3.5 billion in cash on September 30, 1994 and BT's conversion of 13,736 shares of Series D convertible preferred stock, purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock (see Note 7 for further discussion).

In conjunction with the above investment, the company purchased for approximately \$79 million, a 24.9% equity interest in Concert Communications Company (Concert), a business venture launched by BT in July 1994 which provides global telecommunications services for business customers. The company intends to continue making contributions to Concert in order to maintain its proportionate interest. In addition, the company purchased from BT substantially all of the operations of BT North America Inc. (BTNA) in January 1994 for \$108 million and divested its interest in AAP Telecommunications Pty. Ltd. (Australia) in October 1994.

The company and BT lease each others' access lines at prevailing market rates in the ordinary course of business to process traffic in the United States and the United Kingdom. The company also conducts business with Concert through the provision and receipt of communications services at prevailing market rates. During 1994 and 1993, the amounts associated with those transactions were immaterial to the company.

Note 3. Marketable Securities

As discussed in Note 1, effective January 1, 1994, the company adopted SFAS 115 which requires accounting for debt and equity securities based upon the company's intent to hold or sell the securities. As of December 31, 1994, all of the company's marketable securities were classified as available-for-sale and consisted of the following:

An	nortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
(In millions)				
Marketable securities included in cash equivalents:				
Certificates of deposit	\$ 602	-	1-0	\$ 602
securities	265	_	_	265
Corporate debt securities	449	_		449
	1,316	=	-	1,316
Marketable securities maturing within one year:				
Certificates of deposit U.S. Government agency	146	-	-	146
securities	444	-	\$(2)	442
Corporate debt securities	252	-	(1)	251
	842	-	(3)	839
Marketable securities maturing between one year and five years:		ž		
U.S. Government agency securities	166	_	(1)	165
Corporate debt securities	358	_	(1)	357
U.S. Treasury securities	230	_	(3)	227
Asset-backed securities	76	_	(1)	75
	830		(6)	824
Total marketable securities	\$2,988	_	\$(9)	\$2,979

At December 31, 1994, an unrealized loss of \$9 million, net of estimated tax benefit, reduced additional paid in capital by \$5 million. Sales of available-for-sale marketable securities during 1994 resulted in a net realized loss of \$3 million included in interest income.

Note 4. Supplementary Balance Sheet Information

December 31,	1994	1993
(In millions)		
Other current assets:		
Deferred income taxes	\$ 115	\$116
Other receivables, net	110	119
Other	129	70
Total other current assets	\$ 354	\$305
Other accrued liabilities:		
Taxes, other than income	\$ 263	\$183
Payroll and employee benefits	156	182
Other	474	372
Total other accrued liabilities	\$ 893	\$737
Deferred taxes and other:		
Deferred taxes	\$1,192	\$927
Out -	36	69
Other	0.0	
Note 5. Debt	\$1,228	\$996
Note 5. Debt Company debt consists of:	\$1,228	
Note 5. Debt		\$996 1993
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted	\$1,228	
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million	\$1,228	1993
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million Capital lease obligations at a weighted average interest rate of 8.7%	\$1,228 1994 \$1,501	1993 \$1,095
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million Capital lease obligations at a weighted average interest rate of 8.7% Commercial paper and bank credit facility borrowings	\$1,228 1994 \$1,501 884	1993 \$1,095
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million Capital lease obligations at a weighted average interest rate of 8.7% Commercial paper and bank credit facility borrowings Other debt at a weighted	\$1,228 1994 \$1,501 884 596	1993 \$1,095 437 689 239
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million Capital lease obligations at a weighted average interest rate of 8.7% Commercial paper and bank credit facility borrowings Other debt at a weighted average interest rate of 5.4%	\$1,228 1994 \$1,501 884 596	1993 \$1,095 437 689 239 121
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million Capital lease obligations at a weighted average interest rate of 8.7% Commercial paper and bank credit facility borrowings Other debt at a weighted average interest rate of 5.4% Total debt.	\$1,228 1994 \$1,501 884 596 146 3,127	1993 \$1,095 437 689 239 121 2,581
Note 5. Debt Company debt consists of: December 31, (In millions) Senior Notes, with maturities ranging from August 1995 to August 2004, at a weighted average interest rate of 6.9%, net of unamortized discount of \$1 million Senior Debentures, with maturities ranging from January 2023 to March 2025, at a weighted average interest rate of 7.9%, net of unamortized discount of \$6 million Capital lease obligations at a weighted average interest rate of 8.7% Commercial paper and bank credit facility borrowings Other debt at a weighted average interest rate of 5.4%	\$1,228 1994 \$1,501 884 596	1993 \$1,095 437 689 239 121

Annual maturities of long-term debt for the five years after December 31, 1994 are as follows: \$130 million in 1995; \$424 million in 1996; \$122 million in 1997; \$89 million in 1998 and \$558 million in 1999.

Total interest costs were \$231 million in 1994, \$239 million in 1993 and \$270 million in 1992, of which \$78 million, \$61 million and \$52 million, respectively, were capitalized.

At December 31, 1994 and 1993, the estimated fair value of the company's long-term debt, excluding capital lease obligations, is listed below. This valuation represents either quoted market values, where available, or the company's estimate based upon market prices of comparable debt instruments.

December 31,		1994		1993
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
(In millions)				
Senior Notes.	\$1,501	\$1,438	\$1,095	\$1,159
Senior Debentures	884	793	437	462
Commercial paper and bank credit facility borrowings	_	_	239	239
Other debt	146	146	121	121
Total long-term debt, excluding capital leases	\$2,531	\$2,377	\$1,892	\$1,981

The favorable change in the fair value of debt reflects that a majority of the company's debt was at fixed rates that were below the prevailing market rates as of December 31, 1994.

Senior Notes and Debentures

In March 1994, the company issued \$450 million principal amount of 7 3/4% Senior Debentures due March 23, 2025, \$300 million principal amount of 6 1/4% Senior Notes due March 23, 1999 and \$200 million principal amount of Senior Floating Rate Notes due March 16, 1999 (Senior Floating Rate Notes). In conjunction with the issuance of the Senior Floating Rate Notes, the company entered into an interest rate swap agreement for a notional principal amount of \$200 million which resulted in an effective fixed interest cost of 6.37%. A substantial portion of the net proceeds from these issuances was used to repay commercial paper borrowings while the remaining proceeds were used for general corporate purposes. During 1994, the company also repaid \$93 million of maturing Senior Notes, leaving \$2,385 million of debt securities outstanding at a weighted average annual interest rate of 7.25% as of December 31, 1994.

On December 30, 1994, the company filed a \$1 billion shelf registration which will enable the company to issue debt securities with a range of maturities at either fixed or variable rates. The company had no amounts outstanding under the shelf registration as of December 31, 1994.

Commercial Paper and Bank Credit Facility Borrowings

On July 8, 1994, the company executed a \$2 billion bank credit facility agreement (Credit Facility) which replaced its previous \$1.25 billion bank credit facility. The Credit Facility expires in July 1999. This Credit Facility supports the company's commercial paper program and, in conjunction with this program, will be used to fund fluctuations in working capital and other general corporate requirements.

During 1994, the company issued commercial paper and borrowed under the credit facilities an aggregate of \$6,637 million and repaid an aggregate of \$6,876 million of credit facility and commercial paper borrowings, leaving no amounts outstanding under the Credit Facility and commercial paper program at December 31, 1994. Borrowings under the commercial paper program and Credit Facility are classified as noncurrent if the remaining term of the Credit Facility agreement exceeds one year and the unused commitment thereunder equals or exceeds the amount of commercial paper then outstanding.

Retirements and Redemptions

In 1993, the company redeemed all \$616 million, net of the unamortized discount, of its Zero-Coupon Subordinated Convertible Notes due December 11, 2004. The funds for this redemption came from the issuance of Senior Notes, Senior Debentures, commercial paper and credit facility borrowings. Also in 1993, the company redeemed all \$575 million principal amount of its 10% Subordinated Debentures due April 1, 2011. These redemptions were funded from segregated cash generated by the company's operations and earnings, as well as a portion of the proceeds from the sale of preferred stock to BT (see Note 2). An extraordinary loss of \$45 million, net of current income tax benefit of \$26 million, was recorded for the 1993 redemptions.

Note 6. Lease Transactions

The gross and net book values of communications system financed by capital leases was \$604 million and \$271 million, respectively, as of December 31, 1994 and \$799 million and \$359 million, respectively, as of December 31, 1993. Leases not capitalized are primarily for land on which communications equipment is located and for administrative facilities, including office buildings, vehicles, certain data processing equipment and office equipment. Total rental expense for all operating leases was \$262 million, \$227 million and \$229 million for the years ended December 31, 1994, 1993 and 1992, respectively.

Future minimum rental commitments for capital leases are as follows: \$120 million in 1995; \$112 million in 1996; \$105 million in 1997; \$52 million in 1998; \$48 million in 1999 and \$636 million thereafter. At December 31, 1994, aggregate future minimum capital lease payments were \$1,073 million including interest of \$477 million. The present value of future capital lease payments at December 31, 1994 was \$596 million.

Future minimum rental commitments for noncancellable operating leases are as follows: \$174 million in 1995; \$146 million in 1996; \$110 million in 1997; \$85 million in 1998; \$69 million in 1999 and \$203 million thereafter. At December 31, 1994, aggregate future minimum payments for noncancellable operating leases were \$787 million.

Note 7. Stockholders' Equity

On September 30, 1994, the company amended its certificate of incorporation to increase the number of authorized shares of preferred stock from 20 million to 50 million and of common stock from 800 million to 2 billion and authorized 500 million shares of Class A common stock. These changes, which became effective September 30, 1994, had been previously approved by the company's stockholders at a special meeting held on March 11, 1994.

Preferred Stock Rights Plan

On September 7, 1994, the company's board of directors adopted a stockholders' rights plan (Rights Plan), effective September 30, 1994, and declared a dividend, payable to the holders of record on October 11, 1994, of one preferred share purchase right (Right) for each outstanding share of common stock and Class A common stock (collectively, Common Shares) to the stockholders of record on that date. The Rights will also be attached to certain future issuances of Common Shares. Each Right entitles the registered holder to purchase from the company one one-hundredth of a share of the compa-

ny's Series E Junior Participating Preferred Stock, par value \$.10 per share, (Series E Preferred Stock) for an initial purchase price of \$100, subject to adjustment.

The Rights will become exercisable upon the occurrence of certain specified events, including a public announcement that a person or group of affiliated or associated persons (Acquiring Person) have acquired beneficial ownership of 10% or more of the outstanding Common Shares (more than 20.1% in the case of share acquisitions by BT). In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, each holder of a Right (other than Rights beneficially owned by the Acquiring Person, which will become void), will thereafter have the right, subject to certain restrictions, to receive upon exercise in lieu of Series E Preferred Stock that number of shares of the company's common stock (or, at the option of the company, that number of one one-hundredth of Series E Preferred Stock) determined as set forth in the Rights Plan.

For purposes of the Rights Plan, the company's board of directors has designated 10 million shares of Series E Preferred Stock which amount may be increased or decreased by the board of directors. All Rights expire on September 30, 2004, unless this date is extended or the Rights are earlier redeemed or exchanged by the company in accordance with the Rights Plan.

Series D Convertible Preferred Stock

In June 1993, the company issued 13,736 shares of preferred stock, designated as Series D convertible preferred stock (Series D), to BT for \$830 million. On September 30, 1994, all of the Series D was converted into 27.5 million shares of Class A common stock. The company paid dividends of \$50 and \$100 per share on the Series D in 1994 and 1993, respectively.

Class A Common Stock

On September 30, 1994, BT completed the purchase of 136 million shares of the company's recently authorized Class A common stock for \$4.3 billion, resulting in a 20% voting interest in the company. This purchase was achieved by the company's issuance of 108.5 million shares of Class A common stock to BT for a cash payment of \$3.5 billion on September 30, 1994, and BT's conversion of 13,736 shares of Series D purchased for \$830 million in June 1993, into 27.5 million shares of Class A common stock.

As of December 31, 1994, all of the Class A common stock was held by BT. The Class A common stock is equivalent on a per share basis to the existing common stock, except with respect to certain voting rights. BT is entitled to proportionate representation on the company's board of directors, which currently equates to three seats. In addition to board representation, BT is entitled to preemptive rights with respect to the issuance of additional shares of common stock and to investor protections with respect to certain corporate actions of the company. Shares of Class A common stock automatically convert into common stock upon transfer and in certain other events.

Due to the timing of the issuance of the Class A common stock, the company paid one of its semiannual dividends of \$.025 per share on its Class A common stock in 1994.

Common Stock

On May 24, 1993, the company's board of directors declared a two-for-one stock split in the form of a 100% stock dividend, which was issued on July 9, 1993 to stockholders of record as of the close of business on June 11, 1993. The following have been adjusted for the effect of the common stock dividend: all per share amounts, 1994 and 1993 treasury stock transactions, the December 31, 1994 and 1993 treasury stock share balances and data as to common stock options and the employee stock purchase plan.

In 1994, 1993 and 1992, the company paid semiannual dividends in the aggregate of \$.05 per share on its common stock.

Note 8. Stock Option and Employee Stock Purchase Plans

Employee and Directors' Stock Option Plans

The current Employee Stock Option Plan (the Plan) provides for the issuance of up to 102 million shares of common stock. On an annual basis, pursuant to the Plan, the board of directors may increase the maximum number of shares available for issuance under the Plan as of each January 1, by up to 5% of the number of shares of common stock outstanding at each such date. Options granted under the Plan are exercisable at such times and in such installments as determined by the compensation committee of the board of directors. Options granted under the Plan may not have an option price less than the fair market value of the common stock on the date of the grant.

Stock appreciation rights may be granted in combination with a stock option either at the time of the grant or anytime thereafter. No stock appreciation rights had been granted as of December 31, 1994.

The compensation committee may also grant restricted stock awards and performance share awards, subject to such conditions, restrictions and requirements as the committee may determine in its sole discretion. During the year ended December 31, 1994, there were 330,000 restricted shares granted. As of December 31, 1994, there were approximately 1,062,000 restricted shares outstanding. No performance share awards had been issued as of December 31, 1994.

The compensation committee may grant both incentive stock options and non-qualified options under the Plan. All options granted in the last three years have been non-qualified options. These non-qualified options expire after ten years and are exercisable to the extent of 33% of the option shares after one year, 66% after two years and 100% after three years. Incentive stock options expire between five and ten years after issuance and are exercisable to the extent of 33% of the option shares after one year, 66% after two years and 100% after three years.

The Plan permits the holder of an option to pay the purchase price for stock option exercises by surrendering shares of the company's common stock having a fair market value equal to, or greater than, the purchase price.

The company also has a stock option plan for non-employee directors (the Directors' I'lan) which provides for the issuance of up to 1,000,000 shares of common stock. Under the Directors' Plan, each non-employee director has been granted a five-year option to purchase up to 40,000 shares of common stock at the closing price of the common stock on the date of grant. The options are exercisable after the first anniversary of the date of grant, in cumulative installments of 25% per year. Similar options will be granted automatically to all new board members who are not employees, including the nominee directors from BT. Upon the fifth anniversary of the date of grant of options, the unexercised portion of the grant shall be canceled and a new option for 40,000 shares shall be granted automatically.

Additional information with respect to stock options under these plans is:

	Number	Option Amou	ınt		
	of Shares Per Common Share				Total
(In millions, except per commo	on share an	rounts)			
Shares under option,					
December 31, 1991	. 44.8	\$ 2.69-22.44	\$ 546.3		
Options granted	. 17.0	15.82-17.38	269.7		
Options exercised	. (9.0)	2.69-19.57	(85.2)		
Options terminated	(2.8)	2.69-22.44	(39.9)		
Shares under option,	-				
December 31, 1992	. 50.0	3.25-22.44	690.9		
Options granted	. 18.6	20.56-28.75	394.5		
Options exercised	. (15.0)	3.25-22.44	(202.4)		
Options terminated	(2.3)	9.38-28.75	(40.6)		
Shares under option,					
December 31, 1993	51.3	3.44-28.75	842.4		
Options granted	22.3	18.88-26.88	587.1		
Options exercised	. (8.1)	3.44-22.44	(110.2)		
Options terminated	. (3.2)	3.81-28.75	(74.9)		
Shares under option,	-				
December 31, 1994	62.3	\$ 3.44-28.75	\$1,244.4		
Options exercisable,					
December 31, 1994	26.6	\$ 3.44-28.75	\$ 406.8		
Shares available for future					
grant, December 31, 1994	. 19.3				

Employee Stock Purchase Plan

Under the company's Employee Stock Purchase Plan (the ESPP Plan), 45 million shares of common stock are available for purchase by eligible employees of the company through payroll deductions of up to 15% of their eligible compensation. The purchase price is equal to the lesser of (a) 85% of the fair market value of the stock on the date it is purchased or (b) 85% of the fair market value of the stock on certain specified valuation dates.

Common Stock Reserved for Future Issuance

At December 31, 1994, 100.9 million shares of the company's authorized common stock were reserved for future issuance under the Employee and Directors' Stock Option Plans and the ESPP Plan. The company has opted to use treasury shares to fulfill the purchases made under these plans during the three-year period ended December 31, 1994.

Note 9. Employee Benefit Plans

Pension Plans

The company maintains a noncontributory defined benefit pension plan (MCI Plan) and a supplemental pension plan (Supplemental Plan). Western Union International, Inc. (WUI), a subsidiary of the company, also has a defined benefit pension plan (WUI Plan). Collectively, these plans cover substantially all full-time employees.

The MCI Plan and the Supplemental Plan provide pension benefits that are based on the employee's compensation for each year of service prior to retirement. The WUI Plan provides pension benefits based on the employee's compensation for each year of service after 1990 and prior to retirement.

The company's policy is to fund the MCI Plan and the WUI Plan in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974 and within the limits of allowable tax deductions. The assets of the plans are primarily invested in corporate equities, government securities and corporate debt securities.

Net periodic pension cost includes:

1992
\$ 15
12
(11)
(2)
\$ 14

Pension cost increased in 1994 primarily due to a plan amendment which increased MCI Plan benefits effective January 1, 1994.

The company's pension asset (obligation) consists of:

December 31,	1994	1993
(In millions)		
Plan assets at fair value	\$ 254	\$ 188
Accumulated benefit obligation including vested		
benefits of \$173 in 1994 and \$168 in 1993	(194)	(186)
Plan assets in excess of accumulated		
benefit obligation	60	2
Plan assets at fair value	254	188
Projected benefit obligation for service		
rendered to date	(271)	(224)
Projected benefit obligation in excess	-	
of plan assets	(17)	(36)
Unrecognized net (gain) loss from past experience		
different from that assumed	(16)	5
Prior service cost not yet recognized in net		
periodic pension cost	64	18
Unrecognized net asset at January 1, 1986		
being recognized over 16 years	(5)	(6)
Total pension asset (obligation)	\$ 26	\$ (19)

The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation at December 31, 1994 were 8.75% and 5%, respectively, for both the MCI and WUI plans. At December 31, 1993, the discount rate used was 7.75% for the MCI Plan and 7.25% for the WUI Plan and the rate of increase in future compensation levels was 5% for both plans. The expected long-term rate of return on assets in both 1994 and 1993 was 9% for the MCI Plan and 8.5% for the WUI Plan.

Annual service cost is determined using the Projected Unit Credit actuarial method and prior service cost is amortized on a straight-line basis over the average remaining service period of employees.

Employee Stock Ownership Plan and 401(k) Plans

The company has combined employee stock ownership (ESOP) and 401(k) retirement savings plans (RSP) covering substantially all of its employees. The savings plans allow employees to defer pre-tax income in accordance with the requirements of Internal Revenue Code Section 401(k). The company matches employee contributions up to a certain limit. Participants vest in the company's matching contributions at a rate of 20% per year of service and are immediately 100% vested in their elective deferrals.

During 1994, the company made a one time supplemental contribution of 874,317 shares of common stock to the 401(k) sections of its plans in place of a contribution to the ESOP for the plan year ended December 31, 1993. At this time, future contributions to the ESOP have been suspended. The company contributed 1,015,414 shares of its common stock to the ESOP for the plan year ended December 31, 1992. Effective January 1, 1994 the company increased the matching contribution on 401(k) contributions to encourage employee savings. The company contributed 1,454,600 shares, 791,447 shares and 904,796 shares of its common stock as the company's matching contribution to the RSP for the plan years ended December 31, 1994, 1993 and 1992, respectively.

WUI sponsors a 401(k) savings plan for its collectively bargained employees (WUI 401(k)). The savings plan is intended to meet requirements of Internal Revenue Code Section 401(k). WUI 401(k) participants vest in the company's matching contributions at a rate of 20% per year of service and are immediately 100% vested in their elective deferrals. The company contributed 21,870 shares, 18,974 shares and 27,486 shares of its common stock to the WUI 401(k) for the plan years ended December 31, 1994, 1993 and 1992, respectively.

Postemployment Benefits

Effective January 1, 1994, the company adopted statement of Financial Accounting Standards No. 112 (SFAS 112), Employers' Accounting for Postemployment Benefits. SFAS 112 requires that if defined conditions are met, postemployment benefits be estimated and accrued rather than recognized as an expense when paid. Adoption of this new standard did not have a material impact on the company's financial position or results of operations as of and for the year ended December 31, 1994.

Note 10. Income Taxes

The components of the total income tax provision are:

Year ended December 31,	1994	1993	1992
(In millions)			
Current			
Federal	\$190	\$148	\$121
State and local	26	17	20
Current income tax provision	216	165	141
Deferred			
Federal	243	227	193
State and local	26	26	20
Deferred income tax provision	269	253	213
Total income tax provision	\$485	\$418	\$354

A reconciliation of the statutory federal income tax rate to the company's effective income tax rate is:

Year ended December 31,	1994	1993	1992
Statutory federal income tax rate	35%	35%	34%
State and local income taxes,			
net of federal income tax effect	3	3	3
Nondeductible amortization	1	1	1
Changes in federal tax laws	525	1	_
Other	(1)	-	(1)
Effective income tax rate	38%	40%	37%

In 1994, 1993 and 1992 the company recorded a tax benefit of \$63 million, \$36 million and \$18 million, respectively, to additional paid in capital for tax deductions related to common stock transactions with its employee benefit plans.

At December 31, 1994, 1993 and 1992, the company's net deferred income tax liability is comprised of the following:

	1994	1993	1992
(In millions)			
Deferred income tax asset	\$ 321	\$ 338	\$ 292
Deferred income tax liability	(1,398)	(1,149)	(850)
Net deferred income tax liability	\$(1,077)	\$ (811)	\$(558)
The components of these amounts are:			
Communications system	\$(1,312)	\$(1,097)	\$(831)
Allowance for uncollectibles	46	20	50
Realignment expenses	4	56	_
License fees	10	29	35
Customer discounts	(61)	(43)	(5)
Alternative minimum and			
general business tax credits	102	116	83
Other, net	134	108	110
Net deferred income tax liability	\$(1,077)	\$ (811)	\$(558)

The company has not recorded any valuation allowances against its deferred income tax assets, either upon adoption of SFAS 109 or during the years ended December 31, 1994 and 1993.

At December 31, 1994, for federal income tax purposes, the company has available \$22 million of general business tax credit carryforwards expiring after the year 2000 and \$196 million of Alternative Minimum Tax (AMT) credit carryforwards which have no expiration date. In addition, the company has available \$60 million of acquired net operating loss carryforwards and \$62 million of acquired AMT net operating loss carryforwards expiring through 2006.

Note 11. Contingencies

The company, in the normal course of business, is a party to a number of lawsuits and regulatory and other proceedings.

The company's management does not expect that the results in these lawsuits and proceedings will have a material adverse effect on the consolidated financial position or results of operations of the company.

In December 1992, the company petitioned the United States District Court for the District of Columbia for a declaratory ruling that certain patents being asserted by AT&T Corp. (AT&T) were invalid and that AT&T should be otherwise barred from enforcing them against the company. AT&T counterclaimed that the company was violating certain additional patents. In May 1993, AT&T and Unitel Communications Inc., a Canadian corporation in which AT&T has an equity interest, filed a companion suit in Canada, alleging that the company and the Stentor Group of Canadian telephone companies (with which the company has an alliance) are infringing in Canada four of the patents at issue in the U.S. litigation. Although these actions are still in their early stages, the company does not expect that either of these matters will have a material adverse effect on the consolidated financial position or results of operations of the company.

Note 12. Selected Quarterly Information (Unaudited)

Three months ended	Dec. 31, 1994	Sept. 30, 1994	June 30, 1994	Mar. 31, 1994
(In millions, except per share amounts)				
Revenue	\$3,401	\$3,407	\$3,309	\$3,221
Operating expenses:				
Telecommunications	1,764	1,765	1,715	1,672
Sales, operations and general	999	952	933	906
Depreciation	358	282	272	264
Income from operations	280	408	389	379
Net income	151	220	215	209
Earnings applicable to common stockholders	151	220	214	209
Earnings per common and				
common equivalent shares	.22	.38	.37	.36
Weighted average number of shares of common stock				
and common stock equivalents outstanding	685	579	575	580
Three months ended	Dec. 31, 1993	Sept. 30, 1993	June 30, 1993	Mar. 31, 1993
(In millions, except per share amounts)				
Revenue	\$3,128	\$3,054	\$2,929	\$2,810
Operating expenses:		. ,	* *	, ,
Telecommunications	1,659	1,636	1,573	1,505
Sales, operations and general	992	814	772	732
Depreciation	256	245	236	233
Income from operations.	221	359	348	340
Income before extraordinary item	107	174	178	168
Net income	107	174	150	151
Earnings applicable to common stockholders	107	174	149	151
Earnings per common and				
common equivalent shares:				
Income before extraordinary item	.18	.30	.32	.31
Loss on early debt retirements	-	_	(.05)	(.03)
Total	.18	.30	.27	.28
Weighted average number of shares of common stock	.10	.50	.21	.20
and common stock equivalents outstanding	581			

The three months ended December 31, 1994 includes incremental expenses of \$70 million associated with the launch of networkMCI BUSINESS, an additional \$63 million depreciation charge, a \$25 million charge for the settlement of two class action suits relating to the provision of 900 services and a \$10 million gain on the sale of AAP Telecommunications Pty. Ltd.

The three months ended December 31, 1993 includes a \$150 million charge primarily associated with the company's strategic realignment, streamlining of engineering and network operations facilities and relocation of certain operations to lower cost areas.

Since there are changes in the weighted average number of shares outstanding each quarter, the sum of earnings per share by quarter does not equal the earnings per share for the year.

Report of Management

The management of the company is responsible for the financial information and representations contained in the financial statements, notes and all other sections of the annual report. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate under the circumstances to reflect, in all material respects, the substance of events and transactions which have occurred. In preparing the financial statements, it is necessary that management make informed estimates and judgments based on currently available information in order to record the results of certain events and transactions.

The company maintains a system of internal controls designed to enable management to meet its responsibility for reporting reliable financial information. The system is designed to provide reasonable assurance that assets are safeguarded and transactions are recorded and executed with management's authorization. Internal control systems are subject to inherent limitations due to the necessity to balance costs incurred with benefits provided. The company believes that the existing system of internal controls provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected in a timely manner.

The board of directors pursues its oversight role for the financial statements through its audit committee, which is comprised solely of directors who are not officers or employees of the company. They are responsible for engaging, subject to stockholder approval, the independent accountants. The audit committee meets periodically with management and the independent accountants to review their activities in connection with financial reporting matters. The independent accountants have full and free access to meet with the audit committee, without management representatives present, to discuss the results of their examination and the adequacy and quality of internal controls and financial reporting.

The report of our independent accountants, Price Waterhouse LLP, appears herewith. Their audit of the financial statements includes a review of the company's system of internal controls and testing of records as required by generally accepted auditing standards.

Bradley E. Sparks

BC Gran

Vice President and Controller January 25, 1995

Report of Independent Accountants Price Waterhouse LLP

To the Board of Directors and Stockholders of MCI Communications Corporation

In our opinion, the consolidated balance sheets and the related consolidated income statements, statements of cash flows and stockholders' equity appearing on pages 8, 10, 12 and 14 through 24 present fairly, in all material respects, the financial position of MCI Communications Corporation and its subsidiaries at December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally

accepted auditing standards which require that we plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP January 25, 1995

Price Waterhouse LLP

Washington, D.C.

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Law Center Affairs

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Group Managing Director

British Telecommunications plc.

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Former Chairman and

Chief Executive Officer

Guaranty Federal Savings Bank

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Washington, DC

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Kansas City, Missouri

John R. Worthington

General Counsel

Officers

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Chairman and Chief Executive Officer

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President and Chief Operating Officer

Douglas L. Maine

Chief Financial Officer

John R. Worthington

General Counsel

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Implementation

Sherry R. Morehouse

Senior Vice President, networkMCI

Planning & Engineering

MCI Communications Services

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Kevin J. Bennis

President

Integrated Client Services Division

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Chief Information Officer

Vinton G. Cerf

Senior Vice President, Data Architecture

William D. Wooten

Senior Vice President, Human Resources

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Worldwide Sales

Consumer Markets

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Senior Vice President, Finance

Ventures and Alliances

Michael J. Rowny

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Daniel E. Crawford

Chief Operating Officer

AVANTEL, S.A.

Gary M. Parsons
Chief Executive Officer

MCImetro

Nathaniel A. Davis

Chief Operating Officer

MCImetro

Susan Mayer

Senior Vice President, Corporate

Development

Public Policy

Laurence E. Harris

Senior Vice President

Gerald J. Kovach

Senior Vice President, External Affairs

James L. Lewis

Senior Vice President, Regulatory Affairs

MCI International, Inc.

Seth D. Blumenfeld

Group Executive

Jerry A. DeMartino

President

Engineering

Fred M. Briggs

Chief Engineering Officer

Corporate Information

Annual Stockholders Meeting April 17, 1995 – 12 noon North Carolina Bar Center Cary, NC

Common Stock Transfer Agent and Registrar Mellon Securities Trust Company 120 Broadway New York, NY 10271 1-800-934-6242 412-236-8000 Mellon's TDD number for the speech and hearing-impaired is 1-800-231-5469

Common Stock traded on the NASDAQ Stock Market NASDAQ Symbol: MCIC. There is no trading market for the Class A Common Stock.

Trustee—Senior Debt Citibank, N.A. Corporate Trust Department 120 Wall Street, 13th Floor New York, NY 10043 1-800-422-2066 201-262-8644

Trustee—Subordinated Debt
Bankers Trust Company
Corporate Trust & Agency Company
4 Albany Street, 8th Floor
New York, NY 10015
212-250-2500

Independent Accountants
Price Waterhouse LLP
1301 K Street, N.W., 800 W
Washington, DC 20005

Dividend Record

In 1993 and 1994, MCI paid a dividend on its Common Stock of \$.025 per share in both July and December.

Street-Name Accounts

Stockholders whose stock is held by banks and brokerage firms who wish to receive MCI Annual Reports directly from the company should contact Mellon Securities Trust Company, c/o Corporate Investor Communications, Inc., 111 Commerce Road, Carlstadt, NJ 07072 Telephone: 201-896-5680.

Stock Price Range

	Sale l	Price
Quarter Ended	High	Low
March 31, 1993	\$23	\$1813/16
June 30, 1993	2815/16	217/16
September 30, 1993	297/8	261/4
December 31, 1993	295/8	241/8
March 31, 1994	29	225/8
June 30, 1994	$24^{15}/_{16}$	213/8
September 30, 1994	257/8	211/2
December 31, 1994	251/2	171/4

Record Holders of Common Stock at December 31, 1994: 52,512.

Stockholder Services

- Change of address
- Lost stock certificates
- Dividend payments
- Transfer of stock to another person
- Other administrative concerns

Please direct these inquiries directly to the Common Stock Transfer Agent.

Corporate Information/Investor Services
The following information is available without charge to stockholders and interested parties:

- Annual report
- Form 10K, annual report to the Securities and Exchange Commission
- Form 10Q, quarterly report to the Securities and Exchange Commission
- Corporate Capabilities Brochure

To request these publications or for additional information on the company, its finances, operations and services, contact:

Constance K. Weaver Vice President, Investor Relations MCI Communications Corporation 1801 Pennsylvania Avenue, N. W. Washington, DC 20006 Telephone: 1-800-765-2115 202-887-2028

Fax: 202-887-2967

MCI Mail: MCI Investor Relations Internet address: 640-5834@mcimail.com

MCI Worldwide Locations

United States	International		Ventures, Alliances and Investments
MCI Communications	Argentina	Japan	Concert - British
Corporation	Australia	Jordan	Telecommunications plc (BT)
1801 Pennsylvania Avenue, N.W. Washington, DC, 20006	Belgium Bangladesh	Korea Kuwait	AVANTEL, S.A. – Grupo
202-872-1600	Bolivia Brazil	Lebanon Malaysia	Financiero Banamex-Accival (Banacci)
MCI Business Markets	Canada	Mexico	Stentor – alliance of Canada's
MCI Center	Chile	Morocco	major telecommunications
Three Ravinia Drive	China	Netherlands	companies
Atlanta, GA 30346	Colombia	Nigeria	
404-668-6000	Costa Rica	Pakistan	In-Flight Phone Corporation, In
	Ecuador	Panama	Interactive Cable Systems, Inc.
MCI Consumer Markets	Egypt	Peru	
1200 S. Hayes Street	El Salvador	Philippines	Belize Telecommunications, Ltd
Arlington, VA 22202	Ethiopia	Puerto Rico	CLEAR Communications, Ltd.
703-415-6000	France	Qatar	General Communication, Inc.
	Germany	Russia	General Communication, Inc.
MCI International, Inc.	Greece	Saudi Arabia	
Two International Drive	Guam	Singapore	
Rye Brook, NY 10573	Guatemala	Spain	
914-937-3444	Haiti	Sweden	
	Hong Kong	Switzerland	
MCImetro	India	Syria	
1650 Tysons Boulevard	Indonesia	Taiwan	
McLean, VA 22102	Ireland	Thailand	
703-506-6002	Israel	Trinidad/Tobago	
	Italy	Tunisia	
networkMCI Services		Turkey	
2400 North Glenville Drive		United Kingdom	
Richardson, TX 75082		Uruguay	
		Venezuela	

Design: Arnold Saks Associates, New York, NY

2424 Garden of the Gods Road Colorado Springs, CO 80919 719-535-1300



MCI Communications Corporation 1801 Pennsylvania Avenue, N.W. Washington, D.C. 20006 202 872-1600

