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October 23, 2000

VIA HAND DELIVERY

Ms. Blanca S. Bayo
Director, Division of Public Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

001580-TP

Re: Application of WORLDCOM, Inc. and Intermedia Communications Inc. for Approval to Transfer Control of Intermedia Communications Inc. to WORLDCOM, Inc.

Dear Ms. Bayo:

WORLDCOM, Inc. ("WorldCom") and Intermedia Communications Inc. ("Intermedia") ("Applicants"), by their undersigned counsel, respectfully request approval of the transfer of control of Intermedia Communications Inc. to WORLDCOM, Inc. An original and fifteen (15) copies of this letter are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed stamped envelope.

Applicants submit the following information in support of this Application:

I. DESCRIPTION OF THE PARTIES

A. WORLDCOM, Inc.

WorldCom is a publicly traded Georgia corporation. Its principal offices are located at 500 Clinton Center Drive, Clinton, Mississippi, 39056. WorldCom is a global telecommunications company. Through various operating subsidiaries, WorldCom is authorized to offer domestic interstate, intrastate, local and international telecommunications services in each of the 50 states and the District of Columbia, including intrastate services within Florida.[1]

[1] *See* Exhibit A, which contains charts showing the organizational structure of the WorldCom subsidiaries currently authorized to provide intrastate services in Florida and the expected post-merger structure.

WorldCom's telecommunications offerings are comprehensive in scale and scope and include virtually every type of voice and data service. Additional information on WorldCom is available at www.wcom.com.

B. Intermedia Communications, Inc.

Intermedia Communications Inc. is a publicly traded Delaware corporation. Its principal offices are located at One Intermedia Way, Tampa, Florida 33647. In its own right and through various operating subsidiaries, Intermedia is authorized to offer intrastate interexchange telecommunications services in each of the 50 states, as well as competitive local exchange services in 39 states and the District of Columbia, including intrastate long distance services, shared tenant services and alternative local exchange ("ALEC") services within Florida.[2] Intermedia is also authorized by the FCC to offer domestic interstate and international services nationwide, and provide voice and data communications services to customers throughout the United States.

Intermedia is also the controlling shareholder in Digex, Incorporated ("Digex"). As of September 30,2000, Intermedia owned shares of Digex representing 62% of the outstanding Digex common shares and 94% of the voting power of the outstanding Digex stock. Digex is a provider of managed Web and application hosting services for some of the world's leading companies that rely on the Internet as a critical business tool. Additional information on Digex is available at www.digex.com. As described in more detail below, as a result of the transaction, Intermedia will become a subsidiary of WorldCom.

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2 Intermedia is authorized to provide ALEC, IXC and STS services in Florida pursuant to: ALEC certification approval in Docket No. 950954-TX on October 11, 1995 (Certificate No. 2939); IXC certification approval in Docket No. 870084-TI on April 14, 1989 (Certificate No. 1565); and STS certification approval in Docket No. 960199-TS on May 29, 1996 (Certificate No. 4448).

C. Designated Contacts

The designated contacts for questions concerning this Application are:

For WorldCom:

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And, for Applicants:

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II. REQUEST FOR APPROVAL OF TRANSFER OF CONTROL

Upon completion of this merger transaction, Intermedia will become a subsidiary of WorldCom, which also will give WorldCom voting control of Digex. As discussed below, although the acquisition of Digex's web-hosting capabilities is a principal objective of WorldCom in the merger, WorldCom will also acquire Intermedia's telecommunications services, assets and operations, including its regulated services, assets and operations in Florida, as part of the transaction. WorldCom intends to hold and operate Intermedia's telecommunications services, assets and operations, including those in Florida, as separate enterprises from WorldCom's other telecommunications operations while the company evaluates its options for maximizing the value of these operations, including selling them to a third party or consolidating all or some of them with existing WorldCom operations.[3] During this period,

[3] WorldCom has announced to investors and the general public that, as a strategic matter, the addition of Intermedia's assets to WorldCom's does not provide WorldCom with resources that it presently does not have to compete in the telecommunications business. In addition, WorldCom believes that the sum of Intermedia's parts is more competitively valuable than its
(Footnote cont'd on next page)

Intermedia will continue to hold the certificates issued to it by the Commission, and to operate in Florida pursuant to those certificates under the same rates, terms and conditions.[4]

A. Description of the Transaction

On September 5, 2000, WorldCom and Intermedia announced that the two companies had entered into a definitive Agreement and Plan of Merger whereby WorldCom will acquire Intermedia. A copy of the Merger Agreement is attached to Intermedia's SEC Form S-4 filed at the Securities and Exchange Commission on October 16, 2000, a copy of which can be obtained from the company's web site at www.intermedia.com/company/investor/annual.html.

Subject to the terms and conditions of the Merger Agreement and in accordance with Delaware law, at the completion of the merger, Wildcat Acquisition Corp., a newly-formed Delaware subsidiary of WorldCom, will merge with and into Intermedia, and Intermedia will be the surviving corporation. Intermedia, as the surviving company following the merger, will become a subsidiary of WorldCom upon completion of this transaction.

As part of this transaction, Intermedia's common stockholders upon commencement of the merger will receive a minimum of 0.8904 and a maximum of 1.1872 shares of WorldCom common stock, depending upon the price of WorldCom stock during the period prior to the consummation of the merger, for each share of Intermedia common stock they own and their Intermedia shares will be cancelled. Assuming that the maximum number of WorldCom shares are issued, the current common shareholders of Intermedia would own slightly more than 2% of the common shares of WorldCom outstanding after the merger is completed.[5] Holders of

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individual assets. For these reasons, WorldCom has announced that it hopes to sell all, or substantially all, of Intermedia's assets (other than the Digex shares) in the future. At this time, WorldCom could not reliably predict the timing or substance of a future transaction involving Intermedia. However, WorldCom's intent is to operate Intermedia, while it is a WorldCom company, so that all, or substantially all, of the company could be purchased as a going concern. As demonstrated herein, during this period, and in the event that it ultimately determines to retain control of all or part of the Intermedia operations in Florida, WorldCom is well qualified to control Intermedia.

4 WorldCom would separately seek any approvals that may be required for any subsequent disposition of Intermedia telecommunications operations or assets.

5 Additional information concerning the nature of the proposed transaction can be found in Intermedia's Form S-4, filed at the Securities and Exchange Commission on October 16, 2000
(Footnote cont'd on next page)

Intermedia preferred stock (other than Intermedia series B preferred stock) will receive one share of WorldCom preferred stock for each share of Intermedia preferred stock they own. The WorldCom preferred stock will have substantially identical terms as the Intermedia preferred stock except as described in the Intermedia S-4. Intermedia series B preferred stock will remain outstanding as preferred stock of Intermedia following the merger.

Intermedia will continue to hold the certificates issued to it by the Commission, and to operate in Florida pursuant to those certificates under the same rates, terms and conditions.

B. WorldCom's Qualifications

WorldCom has the technical, managerial, and financial qualifications to acquire control of Intermedia. WorldCom is a global communications company whose operating subsidiaries have provided domestic telecommunications services for more than thirty years. In 1999, WorldCom had worldwide revenues of over $37 billion. A copy of WorldCom's most recent SEC Form 10-Q is attached hereto as Exhibit B.

WorldCom is operated by a highly qualified management team, all of whom have extensive backgrounds in telecommunications. Information concerning the legal, technical, managerial and financial qualifications of WorldCom was submitted with the various applications filed with the Commission with respect to its subsidiaries currently operating in Florida, and is, therefore, already a matter of record with the Commission. Applicants respectfully request that the Commission take official notice of these existing descriptions of WorldCom's qualifications and incorporate them by reference herein. Moreover, as indicated above, Intermedia will continue to operate after the merger as a separate subsidiary and it is expected that many of its current management and technical personnel, as well as other employees, will continue to participate in its operation following the merger.

III. PUBLIC INTEREST CONSIDERATIONS

Section 364.33, Florida Statutes, indicates that Commission approval may be required if a change in majority control of a certificated company occurs. Applicants believe, based on a review of past Commission precedent and the plain meaning of Section 364.33, that in conducting its review pursuant to Section 364.33, the Commission should consider whether the proposed transfer is consistent with the public's interest in efficient, reliable telecommunications services. Applicants respectfully submit that the information provided above supports the Commission's approval of WorldCom to become the ultimate holding company of the

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("Intermedia S-4"). A copy of the Intermedia S-4 can be obtained at http://www.intermedia.com/company/investor/annual.html.

Intermedia. Nonetheless, for the Commission's convenience and to provide the Commission with a broader understanding of the proposed transaction, Applicants provide the following explanation of the proposed transaction.

A. Recent Market Conditions, Difficulties with ILECs and Regulatory Uncertainty Have Led Intermedia, Like Many Other Competitive Carriers, to Consider Strategic Alternatives to Remain Competitive.

Along with many of its fellow competitive telecommunications carriers, Intermedia has reached a crossroad. Until recently it was able to tap the public and private equity and debt markets to raise the enormous capital necessary to develop its networks and expand its business and that of Digex. As of June 30, 2000, Intermedia's balance sheet reflected long term obligations and preferred stock totaling $3.573 billion. Despite the growth made possible by this high level of investment, the price of Intermedia's stock has fallen from its high of $77 in March of this year to the mid $20s in July, and to less than $15 in August. At $15 per share, the total market capitalization of Intermedia -- the value the stock market places on the company -- would be only $813 million.[6]

Similar stock price declines have affected the entire competitive telecommunications industry, especially those companies focused on competitive local exchange services. One of the effects of this decline in market values has been to foreclose access to the public debt and equity markets for further financing except on very unfavorable terms. As discussed below, this was one of the factors that led Intermedia in July of this year to explore strategic alternatives.

The pressures facing Intermedia are similar to those that face virtually every other independent ALEC today. Intermedia's business - and that of most ALECs - has suffered from the failure of ILECs to fully and fairly open their networks to competitors and to timely provision customers of competing carriers. Reciprocal compensation has been an important revenue component, but some ILECs have refused to pay amounts Intermedia believes are due to it and the rates for this service are expected to decline. Disputes concerning reciprocal compensation, particularly for service to ISPs, have continued at the state and federal level, both before agencies and the courts. As of June 30, 2000, a total of some $144.7 million in reciprocal compensation payments due to Intermedia had been withheld by ILECs nationwide. Intermedia also has experienced declining revenue from its interexchange services since it is subject to the same downward pricing pressure as the rest of the long distance industry. Finally, the entire competitive telecommunications industry has been adversely impacted by the continuing

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[6] Digex's stock price also fell from its high of $184 in March to the mid-$70s in July and August.

regulatory uncertainty resulting from recent court and FCC decisions regarding the extent to which ILECs must open their networks to competitors.

These factors are not unique to Intermedia and there has been a dramatic tightening of the credit and equity financial markets in most parts of the competitive telecommunications industry. The current state of a number of Intermedia's competitors with similar business profiles and capital structures demonstrates the risk of being a highly leveraged company in this industry. ICG Communications, for example, has recently announced a significant reduction in its projected third and fourth quarter revenues for 2000 from $400 million to $300 million, and the revenues for 2001 from $1.4 billion to between $700 and $800 million.[7] The effect on ICG's profitability is obvious: for the second half of 2000, it is now projecting a $25 million loss instead of the $60 million profit it had previously forecast.[8] For another company in this sector, GST Telecommunications, Inc., the picture is even more serious. In May of this year it filed for Chapter 11 bankruptcy protection, and recently announced that, following an auction process, it will sell its assets to Time Warner. And, more recently, NETtel Communications Inc., a provider of local telephone and high speed Internet services over a 9,000-mile network, filed for bankruptcy protection on September 28, 2000.[9]

To be sure, the outlook for Intermedia is not currently so dire. But, like others in this market sector, it also recently adjusted its projections downward, both as to anticipated revenues and earnings.[10] Moreover, the problems of such companies as ICG, GST, and NETtel have had a pronounced "ripple" effect on the ability of other ALECs -- including Intermedia -- to attract capital. Stock values have been falling for ailing and healthy ALECs alike. Investor perception of this market segment generally, including Intermedia, has been guarded at best.[11] Similar

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7 *See* Press Release, "ICG Communications Announces Revised Business Plan, Forecasts and Customer Service Issues," Sept. 18, 2000, http://biz.yahoo.com/bw/000918/co_icg_com. html.

8 *Id.*

9 *See* "Nettel's [sic]Woes Bode Ill for Industry," The Washington Post, Oct. 3, 2000 at Section E, p. 2. According to one industry analyst cited by the Washington Post, Frank Dzubeck, president of Communications Network Architects, "[t]he likeliest scenario for [NETtel] is to have their assets sold to another CLEC."

10 *See* Press Release, "Intermedia Announces Outlook for Second Quarter and Changes Effecting Reporting of Reciprocal Compensation," July 11, 2000, http://www.intermedia.com/ company/press/release.cfm?releaseid=348.

11 *See, e.g.,* Donaldson, Lufkin & Jenrette, Intermedia Communications (Analyst Reports), July 17, 2000, and August 2, 2000.

constraints have caused other market participants to reach out for strategic partnerships. For example, a number of DSL providers, such as Covad and NorthPoint have all been moving toward partnering initiatives to strengthen themselves against the storms of this marketplace.[12] Intermedia has also been exploring strategic alternatives, which ultimately resulted in the instant transaction.

The strategy arrived at by Intermedia was centered upon a key asset of Intermedia that is separate from its core telecommunications business -- its controlling equity interest in Digex. In contrast to the besieged ALEC industry, Digex's web-hosting business has been very strong. Its revenues for the second quarter of 2000 were up more than 200 percent over the same quarter of 1999, resulting from both a steady expansion of its customer base and explosive growth in its revenue per customer.[13] Recognizing the attractiveness of its interest in Digex, Intermedia announced in July 2000 that it had retained investment bank Bear Stearns & Co., Inc., to help it explore a strategic transaction to leverage this interest for the benefit of its core business, including the possibility of an outright sale of its interest in Digex.[14] In this way, Intermedia hoped to be able to realize sufficient funds to pay down its debt and finance the growth of its core businesses. Ultimately, however, the most feasible transaction was the sale of Intermedia itself, and the process initiated in July culminated on September 1, 2000 with Intermedia and WorldCom reaching an agreement to carry out the transaction described above.

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12 *See* Press Release, "Covad and SBC Form Marketing Agreement to Deliver Broadband Nationwide," Sept. 11, 2000, http://www.covad.com/companyinfo/pressreleases/pr_2000 /091100a_press.shtml; Press Release, "Verizon and NorthPoint to Merge DSL Businesses to Create Leading National Broadband Company," Aug. 8, 2000, http://www.northpoint.com/About_press.asp?PressReleaseID=1152.

13 *See* Press Release, "Digex Announces Record Second Quarter Results," July 31, 2000, http://www.digex.com/08-investors.

14 *See* Press Release, "Intermedia Announces Outlook for Second Quarter and Changes Effecting Reporting of Reciprocal Compensation," July 11, 2000, http://www.intermedia.com/ company/press/release.cfm?releaseid=348.

Without this transaction, the pressures on Intermedia to carry its existing debt, let alone to obtain the new capital necessary to expand its business and that of Digex, would have grown more acute over time. The effect of this transaction will be to stabilize Intermedia's condition and provide for its and Digex's immediate funding needs while a longer-term strategy can be mapped out and implemented that will strengthen Intermedia's regulated business as a strong competitive presence in the local exchange marketplace either as part of WorldCom or of another company.

B. WorldCom's Acquisition of Intermedia Will Stabilize Intermedia's Condition Pending Decisions on the Best Ultimate Use or Disposition of Its Regulated Telecommunications Business Free of the Pressures Described Above.

WorldCom's principal objective in this transaction with Intermedia centers on Intermedia's controlling interest in Digex's web-hosting business. Digex's web-hosting business is an enhanced service and therefore has not been regulated at the federal or state level. Digex customers include mainstream enterprise corporations, Internet-based businesses and application service providers. These customers use Digex services to deploy secure, scaleable, high performance business solutions, including electronic retailing, online financial services, online procurement and customer self-service applications. Digex also offers value-added enterprise and professional services, including performance and security testing, monitoring, reporting and networking services.

The resulting combination of Digex's assets with existing assets of WorldCom will combine Digex's comprehensive range of managed, enterprise and portal hosting solutions with WorldCom's worldwide, facilities-based network and customer relationships, as well as provide WorldCom and Digex customers with a more complete portfolio of Internet products and services to help grow their e-business. Although Digex is not itself a regulated business, it complements WorldCom's regulated services and makes WorldCom a stronger competitor in providing both regulated and unregulated services.

In addition to transferring control of Digex, the transaction will result in a transfer of control of Intermedia's regulated telecommunications operations to WorldCom, and it is this latter transfer that necessitates this Application. WorldCom intends to hold and operate Intermedia's telecommunications services, assets and operations, including those in Florida, as separate enterprises from WorldCom's other telecommunications operations while the company evaluates its options for maximizing the value of these operations, including selling them to a third party or consolidating all or some of them with existing WorldCom operations.

Pending this evaluation, WorldCom does not expect to change Intermedia's operations in any material respect. As noted above, the same entities will continue to hold the same Commission authorizations in Florida. Under these authorizations, Intermedia will continue to provide the same high-quality services to the same customer base at the same rates, terms and conditions, and will operate in the ordinary course of business as they have been. In preserving the value of this asset for possible sale or for consolidation with WorldCom's existing operations, WorldCom will be highly motivated to assure that the quality of Intermedia's services and its customer relations are maintained and that service to customers is not disrupted or degraded in any manner as a result of the transaction. At the same time, WorldCom's assumption of Intermedia's debt and its provision of funds to cover operating losses and continued growth obviously will provide stability to Intermedia and therefore benefit its customers and the public interest in maintaining Intermedia as a local exchange competitor.

At such time as WorldCom may identify and reach agreement with a purchaser of Intermedia, or determines to consolidate the regulated Intermedia operations into existing WorldCom operations, it will return to this Commission with such required filings or requests for approval as may be appropriate to the nature of that transaction. In the meantime, however, it is urgent for the stability of Intermedia as an entity, for its customers, and for the public interest in the certainty of Intermedia's presence in the marketplace that this transaction go forward. Accordingly, Applicants respectfully urge the Commission to grant this Application expeditiously.

IV. CONCLUSION

For the reasons stated above, the Applicants respectfully request that the Commission approve the transfer of control of Intermedia to WorldCom.

Respectfully submitted,

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October 23, 2000

cc: Thomas Williams, FL PSC

351607.3

STATE OF Florida)
) ss:
CITY/COUNTY OF Hillsborough)

VERIFICATION OF INTERMEDIA COMMUNICATIONS INC., THE PARENT COMPANY OF INTERMEDIA COMMUNICATIONS OF VIRGINIA INC.

I, Patricia A. Kurlin, hereby declare that I am Senior Vice President and General Counsel for Intermedia Communications Inc.; that I am authorized to make this statement on Intermedia's behalf; that the foregoing Joint Application was prepared at my direction; and that the matters set forth therein are true to the best of my knowledge, information, and belief.

By: Patricia A. K

Patricia A. Kurlin
Senior Vice President
and General Counsel

Subscribed and sworn to before me this 12 day of October, 2000.

Kimberly Lynn Hinson
Notary Public

[SEAL]

KIMBERLY LYNN HINSON
MY COMMISSION # CC 853130
EXPIRES: July 11, 2003
Bonded Thru Notary Public Underwriters

My commission expires: ______________________

STATE OF Florida)
CITY/COUNTY OF Hillsborough) ss:

VERIFICATION OF INTERMEDIA COMMUNICATIONS INC. THE PARENT COMPANY OF INTERMEDIA COMMUNICATIONS OF VIRGINIA INC.

I, **Robert M. Manning**, hereby declare that I am **Secretary** for Intermedia Communications, Inc.; that I am authorized to make this statement on Intermedia's behalf; that the foregoing Joint Application was prepared at my direction; and that the matters set forth therein are true to the best of my knowledge, information, and belief.

By: ______________________
Robert M. Manning
Secretary

Subscribed and sworn to before me this 17 day of October, 2000.

Kimberly Lynn Hinson
Notary Public

[SEAL]

KIMBERLY LYNN HINSON
MY COMMISSION # CC 853130
EXPIRES: July 11, 2003
Bonded Thru Notary Public Underwriters

My commission expires: ______________________

INDEX OF EXHIBITS

EXHIBIT A	**ILLUSTRATIVE CHART**
EXHIBIT B	**FINANCIAL QUALIFICATIONS OF WORLDCOM, INC.**

EXHIBIT A

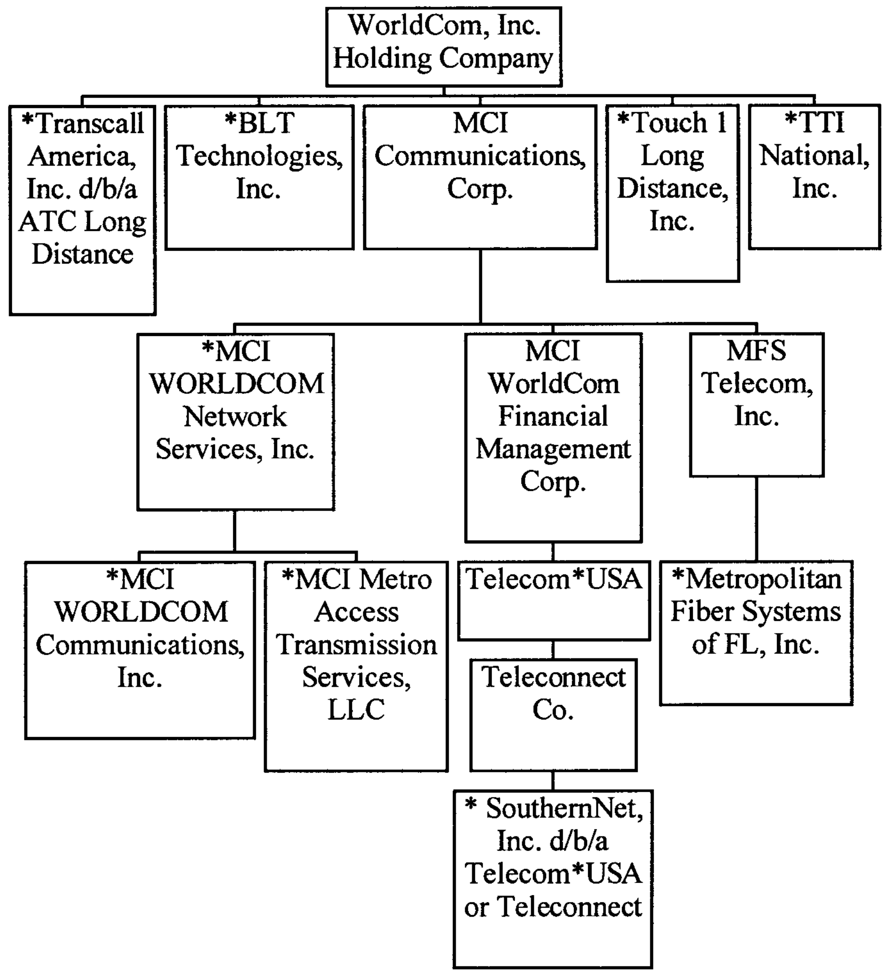
ILLUSTRATIVE CHART

Florida - Intermedia Communications
Pre-Merger

*Intermedia Communications Inc.

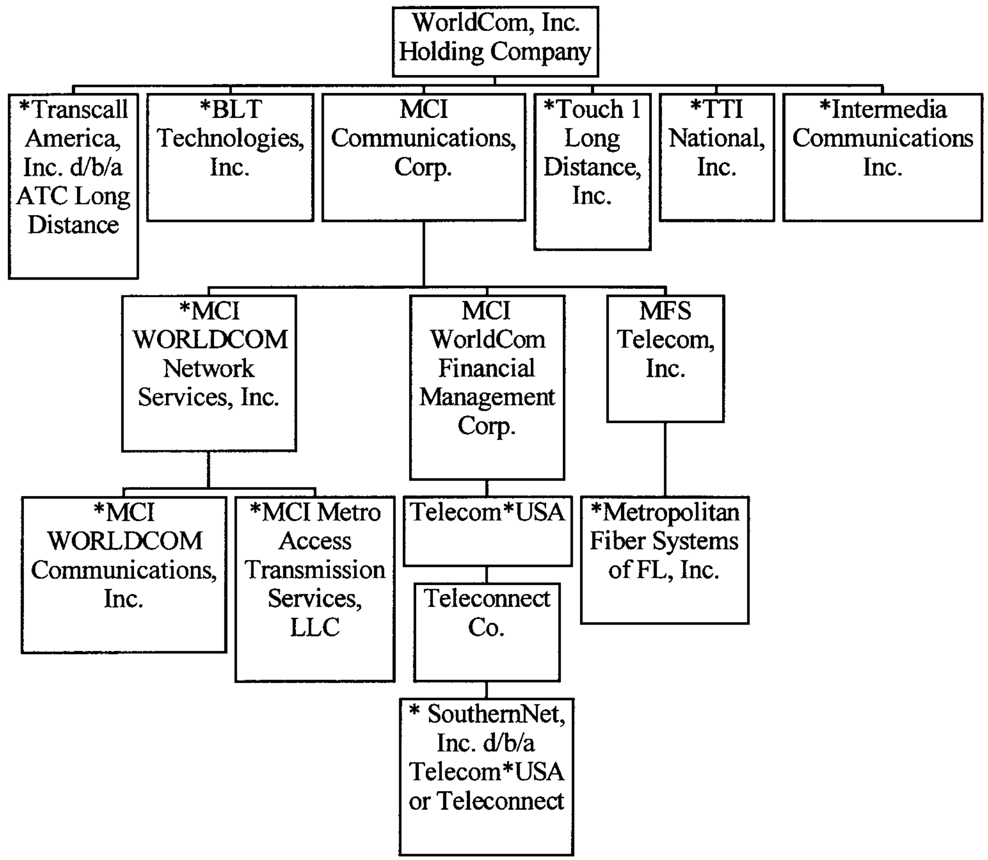
* Certificate/Registration Held

Florida - WorldCom, Inc.
Pre-Merger



* Certificate/Registration Held

Florida - WorldCom, Inc.
Post-Merger



* Certificate/Registration Held

EXHIBIT B

FINANCIAL QUALIFICATIONS OF WORLDCOM, INC.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2000

OR

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

For the transition period from ______ to ______

Commission file number: 0-11258

WorldCom, Inc.
(f/k/a MCI WORLDCOM, Inc.)
(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction of incorporation or organization)	58-1521612 (I.R.S. Employer Identification No.)
500 Clinton Center Drive, Clinton, Mississippi (Address of principal executive offices)	39056 (Zip Code)

Registrant's telephone number, including area code : (601) 460-5600

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

Yes ✓ No _

The number of outstanding shares of the registrant's Common Stock, par value $.01 per share, was 2,872,889,576, net of treasury shares, on July 31, 2000.

QUARTERLY REPORT ON FORM 10-Q
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WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited. In Millions, Except Share Data)

	June 30, 2000	December 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 664	$ 876
Accounts receivable, net of allowance for bad debts of $1,285 in 2000 and $1,122 in 1999	7,009	5,746
Deferred tax asset	2,609	2,565
Other current assets	1,787	1,137
Total current assets	12,069	10,324
Property and equipment:		
Transmission equipment	17,226	14,689
Communications equipment	6,250	6,218
Furniture, fixtures and other	8,629	7,424
Construction in progress	6,811	5,397
	38,916	33,728
Accumulated depreciation	(6,104)	(5,110)
	32,812	28,618
Goodwill and other intangible assets	46,970	47,308
Other assets	5,522	4,822
	$ 97,373	$ 91,072
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 2,597	$ 5,015
Accounts payable	2,165	2,557
Accrued line costs	3,472	3,721
Other current liabilities	5,814	5,916
Total current liabilities	14,048	17,209
Long-term liabilities, less current portion:		
Long-term debt	18,705	13,128
Deferred tax liability	5,894	4,877
Other liabilities	1,035	1,223
Total long-term liabilities	25,634	19,228
Commitments and contingencies		
Minority interests	2,691	2,599
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding solely junior subordinated deferrable interest debentures of the Company and other redeemable preferred securities	798	798
Shareholders' investment:		
Series B preferred stock, par value $.01 per share; authorized, issued and outstanding: 10,851,092 shares in 2000 and 11,096,887 shares in 1999 (liquidation preference of $1.00 per share plus unpaid dividends)	-	-
Series C preferred stock, par value $.01 per share; authorized: 3,750,000 shares; issued and outstanding: none in 2000 and 3,750,000 shares in 1999 (liquidation preference of $50 per share)	-	-
Preferred stock, par value $.01 per share; authorized: 31,155,008 shares in 2000 and 1999; none issued	-	-
Common stock, par value $.01 per share; authorized: 5,000,000,000 shares; issued and outstanding: 2,876,179,318 shares in 2000 and 2,849,743,843 shares in 1999	29	28
Additional paid-in capital	52,611	52,108
Retained earnings (deficit)	1,631	(928)
Unrealized holding gain on marketable equity securities	678	575
Cumulative foreign currency translation adjustment	(562)	(360)
Treasury stock, at cost, 6,765,316 shares in 2000 and 1999	(185)	(185)
Total shareholders' investment	54,202	51,238
	$ 97,373	$ 91,072

The accompanying notes are an integral part of these statements.

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Revenues	$ 10,193	$ 9,065	$ 20,171	$ 18,187
Operating expenses:				
Line costs	4,152	3,956	8,244	8,093
Selling, general and administrative	2,442	2,241	4,741	4,615
Depreciation and amortization	1,186	1,086	2,333	2,187
Total	7,780	7,283	15,318	14,895
Operating income	2,413	1,782	4,853	3,292
Other income (expense):				
Interest expense	(236)	(248)	(454)	(520)
Miscellaneous	109	48	220	22
Income before income taxes and minority interests	2,286	1,582	4,619	2,794
Provision for income taxes	930	654	1,883	1,201
Income before minority interests	1,356	928	2,736	1,593
Minority interests	(65)	(45)	(144)	20
Net income	1,291	883	2,592	1,613
Distributions on subsidiary trust and other mandatorily redeemable preferred securities	16	15	32	31
Preferred dividend requirement	-	3	1	5
Net income applicable to common shareholders	$ 1,275	$ 865	$ 2,559	$ 1,577
Earnings per common share:				
Net income applicable to common shareholders:				
Basic	$ 0.45	$ 0.31	$ 0.90	$ 0.56
Diluted	$ 0.44	$ 0.30	$ 0.88	$ 0.54

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited. In Millions)

	For the Six Months Ended June 30, 2000	For the Six Months Ended June 30, 1999
Cash flows from operating activities:		
Net income	$ 2,592	$ 1,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	144	(20)
Depreciation and amortization	2,333	2,187
Provision for losses on accounts receivable	548	458
Provision for deferred income taxes	1,144	953
Change in assets and liabilities, net of effect of business combinations:		
Accounts receivable	(1,782)	(1,236)
Other current assets	(488)	(212)
Accrued line costs	(339)	238
Accounts payable and other current liabilities	(95)	452
Other	(194)	124
Net cash provided by operating activities	3,863	4,557
Cash flows from investing activities:		
Capital expenditures	(5,197)	(3,702)
Acquisitions and related costs	(14)	(450)
Increase in intangible assets	(681)	(297)
Proceeds from disposition of marketable securities and other long-term assets	391	1,486
Increase in other assets	(780)	(1,341)
Decrease in other liabilities	(696)	(118)
Net cash used in investing activities	(6,977)	(4,422)
Cash flows from financing activities:		
Principal borrowings (repayments) on debt, net	2,765	(1,730)
Common stock issuance	431	734
Distributions on subsidiary trust mandatorily redeemable preferred securities	(32)	(31)
Dividends paid on preferred stock	(1)	(5)
Redemption of Series C preferred stock	(190)	-
Other	(73)	-
Net cash provided by (used in) financing activities	2,900	(1,032)
Effect of exchange rate changes on cash	2	(214)
Net decrease in cash and cash equivalents	(212)	(1,111)
Cash and cash equivalents at beginning of period	876	1,727
Cash and cash equivalents at end of period	$ 664	$ 616

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(A) General

References herein to the "Company" or "WorldCom" refer to WorldCom, Inc., a Georgia corporation, and its subsidiaries. Prior to May 1, 2000, the Company was named MCI WORLDCOM, Inc.

The financial statements included herein, are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial reporting and Securities and Exchange Commission ("SEC") regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the financial statements reflect all adjustments (of a normal and recurring nature) which are necessary to present fairly the financial position, results of operations and cash flows for the interim periods. These financial statements should be read in conjunction with the Annual Report of the Company on Form 10-K for the year ended December 31, 1999 (the "Form 10-K"). The results for the three and six-month periods ended June 30, 2000 are not necessarily indicative of the results that may be expected for the year ending December 31, 2000.

(B) Business Combinations

On October 5, 1999, WorldCom announced that it had entered into an Agreement and Plan of Merger dated as of October 4, 1999, which was amended and restated on March 8, 2000 (the "Sprint Merger Agreement"), between WorldCom and Sprint Corporation ("Sprint"). On July 13, 2000, WorldCom and Sprint announced that they had agreed to terminate the Sprint Merger Agreement, effective immediately.

(C) Earnings Per Share

The following is a reconciliation of the numerators and the denominators of the basic and diluted earnings per share computations for the three and six months ended June 30, 2000 and 1999 (in millions, except per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Basic				
Net income	$1,291	$ 883	$2,592	$1,613
Distributions on subsidiary trust and other mandatorily redeemable preferred securities	16	15	32	31
Preferred dividend requirement	-	3	1	5
Net income applicable to common shareholders	$1,275	$ 865	$2,559	$1,577
Weighted average shares outstanding	2,865	2,816	2,859	2,805
Basic earnings per share	$ 0.45	$ 0.31	$ 0.90	$ 0.56
Diluted				
Net income applicable to common shareholders	$1,275	$ 865	$2,559	$1,577
Weighted average shares outstanding	2,865	2,816	2,859	2,805
Common stock equivalents	55	113	60	112
Common stock issuable upon conversion of preferred stock	2	1	2	1
Diluted shares outstanding	2,922	2,930	2,921	2,918
Diluted earnings per share	$ 0.44	$ 0.30	$ 0.88	$ 0.54

(D) Supplemental Disclosure of Cash Flow Information

Interest paid by the Company during the six months ended June 30, 2000 and 1999, amounted to $388 million and $573 million, respectively. Income taxes paid during the six months ended June 30, 2000 and 1999, totaled $43 million and $51 million, respectively. In conjunction with business combinations during the six months ended June 30, 2000 and 1999, assumed assets and liabilities were as follows (in millions):

	2000	1999
Fair value of assets acquired	$ -	$ 64
Excess of cost over net tangible assets acquired	29	912
Liabilities assumed	(15)	(298)
Common stock issued	-	(228)
Net cash paid	$ 14	$ 450

(E) Comprehensive Income

The following table reflects the calculation of comprehensive income for WorldCom for the three and six months ended June 30, 2000 and 1999 (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Net income applicable to common shareholders	$ 1,275	$ 865	$ 2,559	$ 1,577
Other comprehensive income (loss):				
Foreign currency translation losses	(238)	(25)	(202)	(305)
Unrealized holding gains (losses):				
Unrealized holding gains (losses) during the period	(120)	291	381	536
Reclassification adjustment for gains included in net income	(132)	(15)	(215)	(15)
Other comprehensive income (loss) before tax	(490)	251	(36)	216
Income tax benefit (expense)	94	(104)	(63)	(196)
Other comprehensive income (loss)	(396)	147	(99)	20
Comprehensive income applicable to common shareholders	$ 879	$ 1,012	$ 2,460	$ 1,597

(F) Segment Information

Based on its organizational structure, the Company operates in eight reportable segments: Commercial voice and data, Internet, International operations, Embratel Participações S.A. ("Embratel"), Wholesale, Consumer, Operations and technology and Other. The Company's reportable segments represent business units that primarily offer similar products and services; however, the business units are managed separately due to the type and class of customer as well as the geographic dispersion of their operations. The Commercial voice and data segment includes voice, data and other types of domestic communications services for commercial customers. The Internet segment provides Internet services. International operations provide voice, data, Internet and other similar types of communications services to customers primarily in Europe and the Asia Pacific region. Embratel provides communications services in Brazil. Wholesale includes voice and data domestic communications services for wholesale customers. Consumer includes domestic voice communications services for consumer customers. Operations and technology includes network operations, information services, engineering and technology, and customer service. Other includes primarily the operations of MCI Systemhouse Corp. and SHL Systemhouse Co. (collectively, "SHL") and other non-communications services. In April 1999, SHL was sold to Electronic Data Systems Corporation ("EDS"). Previously, the Company had defined six reportable segments. However, during the second quarter of 2000, the Company began evaluating opportunities to separate the wholesale and consumer operations into separate companies or tracking stocks. Based on this change in focus and on the class of customers that these units represent, the Company determined to classify these units as separate segments. All prior periods have been restated to reflect this change.

The Company's chief operating decision maker utilizes revenue information in assessing performance and making overall operating decisions and resource allocations. Communications services are generally provided utilizing the Company's network facilities, which do not make a distinction between the types of services. As a result, the Company does not allocate line costs or assets by segment. Profit and loss information is reported only on a consolidated basis to the chief operating decision maker and the Company's Board of Directors.

Information about the Company's segments for the three and six months ended June 30, 2000 and 1999, is as follows (in millions):

	Revenues From External Customers			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Commercial voice and data	$ 4,649	$4,100	$9,162	$8,151
Internet	1,172	836	2,276	1,594
International operations	608	420	1,145	777
Wholesale	920	1,061	1,895	2,075
Consumer	2,006	1,841	4,027	3,694
Operations and technology	-	-	-	-
Other	-	120	-	523
Corporate	-	-	-	-
Total before Embratel	9,355	8,378	18,505	16,814
Embratel	877	716	1,740	1,402
Elimination of intersegment revenues	(39)	(29)	(74)	(29)
Total	$10,193	$9,065	$20,171	$18,187

	Selling, General and Administrative Expenses			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Commercial voice and data	$ 562	$ 500	$1,040	$1,046
Internet	232	179	441	352
International operations	164	101	306	217
Wholesale	34	38	73	77
Consumer	586	588	1,233	1,173
Operations and technology	516	569	1,062	1,132
Other	-	41	-	170
Corporate	50	46	98	95
Corporate - Sprint merger costs	93	-	93	-
Total before Embratel	2,237	2,062	4,346	4,262
Embratel	214	179	413	353
Elimination of intersegment expenses	(9)	-	(18)	-
Total	$2,442	$2,241	$4,741	$4,615

The following is a reconciliation of the segment information to income before income taxes and minority interests for the three and six months ended June 30, 2000 and 1999 (in millions):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Revenues	$10,193	$9,065	$20,171	$18,187
Operating expenses	7,780	7,283	15,318	14,895
Operating income	2,413	1,782	4,853	3,292
Other income (expense):				
Interest expense	(236)	(248)	(454)	(520)
Miscellaneous	109	48	220	22
Income before income taxes and minority interests	$ 2,286	$1,582	$ 4,619	$ 2,794

(G) Long-term debt

On May 24, 2000, the Company completed a public debt offering of $5.0 billion principal amount of debt securities. The net proceeds of $4.95 billion were used to pay down commercial paper obligations. The public debt offering consisted of $1.5 billion of Floating Rate Notes Due 2001 (the "Floating Rate Notes"), which mature on November 26, 2001, $1.0 billion of 7.875% Notes Due 2003 (the "Notes Due 2003"), which mature on May 15, 2003, $1.25 billion of 8.000% Notes Due 2006 (the "Notes Due 2006"), which mature on May 15, 2006 and $1.25 billion of 8.250% Notes Due 2010 (the "Notes Due 2010"), which mature on May 15, 2010 (collectively, with the Floating Rate Notes, the Notes Due 2003, the Notes Due 2006 and Notes Due 2010, the "Notes"). The Floating Rate Notes bear interest payable quarterly on the 24th day of February, May, August and November, beginning August 24, 2000. The Notes Due 2003, the Notes Due 2006 and the Notes Due 2010 bear interest payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2000.

The Notes Due 2006 and the Notes Due 2010 are redeemable, as a whole or in part, at the option of the Company, at any time or from time to time, at respective redemption prices equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present values of the Remaining Scheduled Payments (as defined therein) discounted at the Treasury Rate (as defined therein) plus (a) 25 basis points for the Notes Due 2006, and (b) 30 basis points for the Notes Due 2010.

The Company is required, subject to certain exceptions and limitations set forth in the Notes, to pay such additional amounts (the "Additional Amounts") to the beneficial owner of any Note who is a Non-U.S. Holder (as defined in the Notes) in order that every net payment of principal and interest on such Note and any other amounts payable on the Note, after withholding for certain U.S. taxes, will not be less than the amount provided for in such Note to be then due and payable. The Notes are also subject to redemption, at the Company's option, subject to certain conditions specified in the Notes, in the event the Company has or will become obligated or there is a substantial probability the Company will or may be required to pay such Additional Amounts.

Additionally, on June 12, 2000, the Company completed a public debt offering of $60 million principal amount of debt securities. The net proceeds of $59.9 million were used for general corporate purposes. The public debt offering consisted of $60 million of Floating Rate Notes Due 2002 (the "2002 Floating Rate Notes"), which mature on June 11, 2002. The 2002 Floating Rate Notes bear interest payable quarterly on the 11th day of March, June, September and December, beginning September 11, 2000.

The following table sets forth the outstanding debt of the Company as of June 30, 2000 (in millions):

	Excluding Embratel	Embratel	Consolidated
Commercial paper and credit facilities	$ 566	$ -	$ 566
Floating rate notes due 2000 through 2002	2,560	-	2,560
7.875% - 8.25% Notes Due 2003-2010	3,500	-	3,500
6.13% - 6.95% Notes Due 2001-2028	6,100	-	6,100
7.13% - 7.75% Notes Due 2004-2027	2,000	-	2,000
8.88% - 9.38% Senior Notes Due 2004-2006	672	-	672
7.13% - 8.25% Senior Debentures due 2023-2027	1,437	-	1,437
6.13% - 7.50% Senior Notes Due 2004-2012	1,938	-	1,938
15% note payable due August 2000	-	439	439
Capital lease obligations (maturing through 2002)	442	-	442
Other debt (maturing through 2008)	443	1,205	1,648
	19,658	1,644	21,302
Short-term debt and current maturities of long-term debt	1,718	879	2,597
	$ 17,940	$ 765	$ 18,705

(H) Contingencies

The Company is involved in legal and regulatory proceedings generally incidental to its business and has included loss contingencies in other current liabilities and other liabilities for certain of these matters. In some instances, rulings by federal and state regulatory authorities may result in increased operating costs to the Company. Except as described herein, and while the results of these various legal and regulatory matters contain an element of uncertainty, WorldCom believes that the probable outcome of these matters should not have a material adverse effect on the Company's consolidated results of operations or financial position.

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

In implementing the Telecommunications Act of 1996 (the "Telecom Act"), the FCC established nationwide rules designed to encourage new entrants to participate in the local services markets through interconnection with the incumbent local exchange carriers ("ILECs"), resale of ILECs' retail services and use of individual and combinations of unbundled network elements. Appeals of the FCC order adopting those rules have been in litigation since August 1996. On November 5, 1999, the FCC implemented a remand, from the U.S. Supreme Court, of the FCC's original unbundling rules. The FCC required two additional network elements, as well as most of the previously identified elements, to be made available to new entrants. That order is subject to various reconsideration petitions at the FCC and has been appealed by the ILECs to the United States Court of Appeals for the District of Columbia Circuit. The court is holding the case in abeyance pending reconsideration at the FCC. On July 18, 2000, the United States Court of Appeals for the Eighth Circuit again invalidated the FCC's pricing rules. Among other things, the court held that the FCC's requirement that rates for unbundled network elements be based on the most efficient technology and network configuration available, using existing wire center locations, violated the plain meaning of the Telecom Act. The court, however, upheld the use of a forward-looking cost methodology. The court remanded the pricing rules to the FCC for further proceedings. WorldCom is considering whether to seek review by the U.S. Supreme Court.

On May 21, 1999, the United States Court of Appeals for the District of Columbia Circuit reversed and remanded to the FCC its decision to adjust its price cap regulation of ILECs to require access charges to fall 6.5% per year adjusted for inflation. That court stayed the effect of its decision pending a further order by the FCC justifying or modifying its decision in response to the court's opinion. On May 31, 2000, the FCC implemented a new plan for access charge reform and universal service, which is discussed below. On June 2, 2000, the FCC reported to the court that its May 31, 2000 order had responded to the court's remand instructions by adopting these new rules for access rates. On July 11, 2000, the court lifted the stay of its price cap decision in light of the FCC's new rules.

On November 4, 1999, the FCC's Pricing Flexibility Order, which allowed price-cap regulated ILECs to offer customer specific pricing in contract tariffs, took effect. Price-cap regulated ILECs can now offer access arrangements with contract-type pricing in competition with long distance carriers and other competitive access providers, who have previously been able to offer such pricing for access arrangements. As ILECs experience increasing competition in the local services market, the FCC will grant increased pricing flexibility and relax tariffing requirements for access services. The FCC is also conducting a proceeding to consider additional pricing flexibility for a wider range of access services. The Company has appealed the Pricing Flexibility Order to the United States Court of Appeals for the District of Columbia Circuit.

On July 30, 1999, the United States Court of Appeals for the Fifth Circuit issued a decision reversing in part the May 1997 FCC universal service decision. Among other things, the court held that the FCC may collect universal service contributions from interstate carriers based on only interstate revenues, and that the FCC could not force the ILECs to recover their universal service contributions through interstate access charges. On June 6, 2000, the U.S. Supreme Court granted the petition for certiorari filed by GTE Corporation ("GTE") seeking review of the Fifth Circuit's decision that the FCC's forward-looking methodology for funding universal services does not result in an unconstitutional taking of the ILECs' property. The U.S. Supreme Court denied petitions for certiorari filed by various parties, including WorldCom, challenging certain other aspects of this decision. On November 1, 1999, the FCC implemented the Fifth Circuit's decision. AT&T has appealed this FCC order to the United States Court of Appeals for the Fifth Circuit, and WorldCom has intervened in support of AT&T. Pending reconsideration petitions seek retroactive treatment for implementation of the remand order. On November 2, 1999, the FCC released two additional universal service orders, which provide for federal support for non-rural high cost areas. Both orders were appealed to the United States Court of Appeals for the Tenth Circuit.

In August 1998, in response to petitions filed by several ILECs under the guise of Section 706 of the Telecom Act, the FCC issued its Advanced Services Order. This order clarifies that the interconnection, unbundling, and resale requirements of Section 251(c) of the Telecom Act, and the interLATA restrictions of Section 271 of the Telecom Act, apply fully to so-called "advanced telecommunications services," such as Digital Subscriber Line ("DSL") technology. US West Communications Group ("US West") appealed this order to the United States Court of Appeals for the District of Columbia Circuit. At the request of the FCC, the court remanded the case for further administrative proceedings, and on December 23, 1999, the FCC issued its Order on Remand. In that order, the FCC reaffirmed its earlier decision that ILECs are subject to the obligations of Section 251(c) of the Telecom Act in connection with the offering of advanced telecommunications services such as DSL. The order reserved ruling on whether such obligations extend to traffic jointly carried by an ILEC and a competitive local exchange carrier ("CLEC") to an Internet service provider ("ISP") where the ISP self-provides the transport component of its Internet access service. The Order on Remand also found that DSL-based advanced services that are used to connect ISPs to their subscribers to facilitate Internet-bound traffic typically constitute exchange access service. On January 3, 2000, the Company filed a petition for review of this aspect of the Order on Remand with the United States Court of Appeals for the District of Columbia Circuit. Oral argument is scheduled for February 21, 2001.

In February 1999, the FCC sought public comments on its tentative conclusion that loop spectrum standards should be set in a competitively neutral process. In November 1999, the FCC concluded that ILECs should be required to share primary telephone lines with CLECs, and identified the high frequency portion of the loop as a network element. In February 2000, US West and the United States Telephone Association appealed this order to the United States Court of Appeals for the District of Columbia Circuit. The court is holding the case in abeyance pending reconsideration at the FCC.

On February 26, 1999, the FCC issued a Declaratory Ruling and Notice of Proposed Rulemaking regarding the regulatory treatment of calls to ISPs. Prior to the FCC's order, approximately thirty Public Utility Commissions ("PUCs") issued orders unanimously finding that carriers, including WorldCom, are entitled to collect reciprocal compensation for completing calls to ISPs under the terms of their interconnection agreements with ILECs. Many of these PUC decisions have been appealed by the ILECs and, since the FCC's order, many have filed new cases at the PUCs or in court. Moreover, WorldCom appealed the FCC's order to the United States Court of Appeals for the District of Columbia Circuit. On March 24, 2000, the court vacated the FCC's order and remanded the case to the FCC for further proceedings, which are currently pending. On May 15, 2000, legislation was introduced in the U.S. House of Representatives that would exclude dial-up Internet traffic from the reciprocal compensation provisions of the Telecom Act. WorldCom cannot predict the outcome of the cases filed by the ILECs, the FCC's rulemaking proceeding, the FCC's proceedings on remand, or the congressional legislation, nor can it predict whether or not the result(s) will have a material adverse impact upon its consolidated financial position or future results of operations.

Several bills have been introduced during the 106th Congress that would exclude the transmission of data services or high-speed Internet access from the Telecom Act's bar on the transmission of in-region interLATA services by the Bell operating companies ("BOCs"). These bills would also make it more difficult for competitors to resell the high-speed Internet access services of the ILECs or to lease a portion of the network components used for the provision of such services.

In 1996 and 1997, the FCC issued orders that would require non-dominant telecommunications carriers to eliminate interstate service tariffs, except in limited circumstances. These orders were stayed pending judicial review. On April 28, 2000, the United States Court of Appeals for the District of Columbia Circuit issued a decision upholding the FCC's orders and thereafter lifted the stay. The parties to this appeal, including WorldCom, are considering whether to seek further judicial review. As written, the FCC's orders will prevent WorldCom from relying on its federal tariff to limit liability or to establish its interstate rates for customers. Accordingly, WorldCom would need to develop a new means to establish contractual relationships with its customers.

BOCs must file an application conforming to the requirements of Section 271 of the Telecom Act for each state in their service area in order to offer in-region long distance service in that state. To be granted by the FCC, an application must demonstrate, among other things, that the BOC has met a 14-point competitive checklist to open its local network to competition and demonstrate that its application is in the public interest. Since enactment of the Telecom Act, the FCC has rejected five Section 271 applications filed by BOCs and granted two; Bell Atlantic Corporation's application for New York was granted on December 21, 1999, and SBC Communications, Inc.'s application for Texas was granted on June 30, 2000. No other Section 271 applications are pending before the FCC at this time, but other applications may be filed this year. WorldCom cannot predict the outcome of this proceeding or whether or not the results will have a material adverse impact on its consolidated financial position or future results of operations.

On May 31, 2000, the FCC adopted further access charge and universal service reform. In response to a proposal made by the Coalition for Affordable Local and Long Distance Services ("CALLS"), a group of regional Bell operating companies ("RBOCs"), GTE and two long distance companies, the FCC reduced access charges paid by long distance companies to local exchange carriers by approximately $3.2 billion annually. The proposal, which will allow charges imposed on end user customers by local exchange carriers to increase over time, also created a new $650 million universal service fund. Several parties have appealed various aspects of the CALLS order.

International. In February 1997, the United States entered into a World Trade Organization Agreement (the "WTO Agreement") that is designed to have the effect of liberalizing the provision of switched voice telephone and other telecommunications services in scores of foreign countries over the next several years. The WTO Agreement became effective in February 1998. In light of the United States commitments to the WTO Agreement, the FCC implemented new rules in February 1998 that liberalize existing policies regarding (1) the services that may be provided by foreign affiliated United States international common carriers, including carriers controlled or more than

25 percent owned by foreign carriers that have market power in their home markets, and (2) the provision of alternative traffic routing. The new rules make it much easier for foreign affiliated carriers to enter the United States market for the provision of international services.

In August 1997, the FCC adopted mandatory settlement rate benchmarks. These benchmarks are intended to reduce the rates that United States carriers pay foreign carriers to terminate traffic in their home countries. The FCC will also prohibit a United States carrier affiliated with a foreign carrier from providing facilities-based service to the foreign carrier's home market until and unless the foreign carrier has implemented a settlement rate at or below the benchmark. The FCC also adopted new rules that will liberalize the provision of switched services over private lines to World Trade Organization member countries. These rules allow such services on routes where 50% or more of United States billed traffic is being terminated in the foreign country at or below the applicable settlement rate benchmark or where the foreign country's rules concerning provision of international switched services over private lines are deemed equivalent to United States rules. On January 12, 1999, the FCC's benchmark rules were upheld in their entirety by the United States Court of Appeals for the District of Columbia Circuit. On March 11, 1999, the District of Columbia Circuit denied petitions for rehearing of the case.

In April 1999, the FCC modified its rules to permit United States international carriers to exchange international public switched voice traffic on many routes to and from the United States outside of the traditional settlement rate and proportionate return regimes.

On June 3, 1999, the FCC enforced the benchmark rates on two non-compliant routes. Settlement rates have fallen to the benchmarks or below on many other routes.

Although the FCC's new policies and implementation of the WTO Agreement may result in lower settlement payments by WorldCom to terminate international traffic, there is a risk that the payments that WorldCom will receive from inbound international traffic may decrease to an even greater degree. The implementation of the WTO Agreement may also make it easier for foreign carriers with market power in their home markets to offer United States and foreign customers end-to-end services to the disadvantage of WorldCom. The Company may continue to face substantial obstacles in obtaining from foreign governments and foreign carriers the authority and facilities to provide such end-to-end services.

Embratel. The 1996 General Telecommunications Law (the "General Law") provides a framework for telecommunications regulation for Embratel. Article 8 of the General Law created Agência Nacional de Telecomunicações ("Anatel") to implement the General Law through development of regulations and to enforce such regulations. According to the General Law, companies wishing to offer telecommunications services to consumers are required to apply to Anatel for a concession or an authorization. Concessions are granted for the provision of services under the public regime (the "Public Regime") and authorizations are granted for the provision of services under the private regime (the "Private Regime"). Service providers subject to the Public Regime (concessionaires) are subject to obligations concerning network expansion and continuity of service provision and are subject to rate regulation. These obligations and the tariff conditions are provided in the General Law and in each company's concession contract. The network expansion obligations are also provided in the Plano Geral de Universalizaçào ("General Plan on Universal Service").

The only services provided under the Public Regime are the switched fixed telephone services ("SFTS") -local and national and international long distance - provided by Embratel and the three regional Telebràs holding companies ("Teles"). All other telecommunications companies, including other companies providing SFTS, operate in the Private Regime and, although they are not subject to the Public Regime, individual authorizations may contain certain specific expansion and continuity obligations.

The main restriction imposed on carriers by the General Plan on Universal Service is that, until December 31, 2003, the three Teles are prohibited from offering inter-regional and international long distance service, while Embratel is prohibited from offering local services. These companies can start providing those services two years sooner if they meet their network expansion obligations by December 31, 2001.

Embratel and the three Teles were granted their concessions at no fee, until 2005. After 2005, the concessions may be renewed for a period of 20 years, upon the payment, every two years, of a fee equal to 2% of annual net revenues calculated based on the provision of SFTS in the prior year, excluding taxes and social contributions.

Embratel also offers a number of ancillary telecommunications services pursuant to authorizations granted in the Private Regime. Such services include the provision of dedicated analog and digital lines, packet switched network services, circuit switched network services, mobile marine telecommunications, telex and telegraph, radio signal satellite retransmission and television signal satellite retransmission. Some of these services are subject to some specific continuity obligations and rate conditions.

All providers of telecommunications services are subject to quality and modernization obligations provided in the Plan Geral de Qualidade ("General Plan on Quality").

Litigation. On November 4, 1996, and thereafter, and on August 25, 1997, and thereafter, MCI Communications Corporation ("MCI") and all of its directors were named as defendants in a total of 15 complaints filed in the Court of Chancery in the State of Delaware. British Telecommunications plc ("BT") was named as a defendant in 13 of the complaints. The complaints were brought by alleged stockholders of MCI, individually and purportedly as class actions on behalf of all other stockholders of MCI. In general, the complaints allege that MCI's directors breached their fiduciary duty in connection with the MCI BT Merger Agreement, dated November 3, 1996 (the "MCI BT Merger Agreement"), that BT aided and abetted those breaches of duty, that BT owes fiduciary duties to the other stockholders of MCI and that BT breached those duties in connection with the MCI BT Merger Agreement. The complaints seek damages and injunctive and other relief.

One of the purported stockholder class actions pending in Delaware Chancery Court has been amended, one of the purported class actions has been dismissed with prejudice, and plaintiffs in four of the other purported stockholder class actions have moved to amend their complaints to name WorldCom and a WorldCom subsidiary as additional defendants. These plaintiffs generally allege that the defendants breached their fiduciary duties to stockholders in connection with the MCI merger and the agreement to pay a termination fee to WorldCom. They further allege discrimination in favor of BT in connection with the MCI merger. The plaintiffs seek, inter alia, damages and injunctive relief prohibiting the consummation of the MCI merger and the payment of the inducement fee to BT.

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

At least nine class action complaints have been filed that arise out of the FCC's decision in Halprin, Temple, Goodman and Sugrue v. MCI Telecommunications Corp., and allege that WorldCom has improperly charged "pre-subscribed" customers "non-subscriber" or so-called "casual" rates for certain direct-dialed calls. Plaintiffs further challenge WorldCom's credit policies for this "non-subscriber" traffic. Plaintiffs assert that WorldCom's conduct violates the Communications Act and various state laws; the complaint seeks rebates to all affected customers as well as punitive damages and other relief. In response to a motion filed by WorldCom, the Judicial Panel on Multi-District Litigation consolidated these matters in the United States District Court for the Southern District of Illinois. The parties have entered into a memorandum of understanding to settle these cases, pursuant to which the Company would pay $88 million for the benefit of the Settlement Class. Judicial approval of the tentative settlement is required. The Company's appeal of the FCC's Halprin decision to the United States Court of Appeals for the District of Columbia Circuit is stayed pending judicial review of the proposed settlement.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations may be deemed to include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risk and uncertainty, including financial, regulatory environment and trend projections, estimated costs to complete or possible future revenues from in-process research and development programs, the likelihood of successful completion of such programs, and the outcome of Euro conversion efforts, as well as any statements preceded by, followed by, or that include the words "intends," "estimates," "believes," "expects," "anticipates," "should," "could," or similar expressions; and other statements contained herein regarding matters that are not historical facts.

Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. The important factors that could cause actual results to differ materially from those in the forward-looking statements herein (the "Cautionary Statements") include, without limitation: (1) possible effects of the Company's recent announcement regarding the consideration of opportunities to separate the wholesale and consumer operations into separate companies or tracking stocks; (2) the effects of vigorous competition in the markets in which the Company operates; (3) the impact of technological change on the Company's business, new entrants and alternative technologies, and dependence on availability of transmission facilities; (4) uncertainties associated with the success of other acquisitions and the integration thereof; (5) risks of international business; (6) regulatory risks, including the impact of the Telecom Act; (7) contingent liabilities; (8) the impact of competitive services and pricing; (9) risks associated with Euro conversion efforts; (10) risks associated with debt service requirements and interest rate fluctuations; (11) the Company's degree of financial leverage; and (12) other risks referenced from time to time in the Company's filings with the SEC, including the Form 10-K. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements. The Company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The following discussion and analysis relates to the financial condition and results of operations of the Company for the three and six months ended June 30, 2000 and 1999. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and consolidated financial statements and notes thereto contained herein and in the Form 10-K.

Unless otherwise defined, capitalized terms used herein have the meanings assigned to them in the Notes to Consolidated Financial Statements contained herein.

Results of Operations

The following table sets forth for the periods indicated the Company's statements of operations as a percentage of its revenues for the three and six months ended June 30, 2000 and 1999:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Revenues	100.0%	100.0%	100.0%	100.0%
Line costs	40.7	43.6	40.9	44.5
Selling, general and administrative	24.0	24.7	23.5	25.4
Depreciation and amortization	11.6	12.0	11.6	12.0
Operating income	23.7	19.7	24.0	18.1
Other income (expense):				
Interest expense	(2.3)	(2.7)	(2.2)	(2.8)
Miscellaneous	1.0	0.4	1.1	0.1
Income before income taxes and minority interests	22.4	17.4	22.9	15.4
Provision for income taxes	9.1	7.2	9.3	6.6
Income before minority interests	13.3	10.2	13.6	8.8
Minority interests	(0.6)	(0.5)	(0.7)	0.1
Net income	12.7	9.7	12.9	8.9

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2000	1999	2000	1999
Distributions on subsidiary trust and other madatorily redeemable preferred securities	0.2	0.2	0.2	0.2
Preferred dividend requirement	-	-	-	-
Net income applicable to common shareholders	12.5%	9.5%	12.7%	8.7%

Three and six months ended June 30, 2000 vs.
Three and six months ended June 30, 1999

Revenues for the three months ended June 30, 2000, increased 12.4% to $10.2 billion as compared to $9.1 billion for the three months ended June 30, 1999. For the six months ended June 30, 2000, revenues increased 10.9% to $20.2 billion versus $18.2 billion for the same period in the prior year. The increase in total revenues is attributable to internal growth of the Company.

The Company is exploring opportunities to separate the Company's wholesale and consumer operations into separate companies or tracking stocks. This would allow WorldCom to enhance its effectiveness in targeting commercial customers. Therefore, the revenues reported below for the three and six months ended June 30, 2000 and 1999 reflect this classification change (dollars in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2000	1999	Percent Change	2000	1999	Percent Change
Revenues						
Voice	$ 2,752	$2,645	4.0%	$ 5,474	$ 5,314	3.0%
Data	1,897	1,455	30.4%	3,688	2,837	30.0%
Internet	1,172	836	40.2%	2,276	1,594	42.8%
International	1,446	1,107	30.6%	2,811	2,150	30.7%
Commercial services	7,267	6,043	20.3%	14,249	11,895	19.8%
Wholesale and consumer revenues	2,926	2,902	0.8%	5,922	5,769	2.7%
Communications services	10,193	8,945	14.0%	20,171	17,664	14.2%
Other	-	120	N/A	-	523	N/A
Total	$10,193	$9,065	12.4%	$20,171	$18,187	10.9%

Communications services revenues for the three months ended June 30, 2000 increased 14.0% to $10.2 billion as compared to $8.9 billion for the three months ended June 30, 1999. For the six months ended June 30, 2000, communications services revenues increased 14.2% to $20.2 billion versus $17.7 billion for the same period in the prior year. Excluding WorldCom's interest in the Brazilian telecommunications company, Embratel, communications services revenues were $9.4 billion and $18.5 billion, respectively, for the three and six months ended June 30, 2000 or a 13.3% and 13.6%, respectively, increase from the prior year periods.

Commercial services revenues, which includes the revenues generated from commercial voice, data, International and Internet, for the three months ended June 30, 2000 increased 20.3% to $7.3 billion as compared to $6.0 billion for the three months ended June 30, 1999. For the six months ended June 30, 2000, commercial services revenues increased 19.8% to $14.2 billion versus $11.9 billion for the same period in the prior year.

Commercial voice revenues for the three and six months ended June 30, 2000 increased 4.0% and 3.0%, respectively, over the prior year periods, driven by gains in traffic of 10.6% and 8.3%, respectively, as a result of customers purchasing "all-distance" voice services from the Company. These increases were driven almost equally by demand for both local and long distance services. Access charge reforms along with declining network costs have facilitated the reduction in pricing. Voice revenues include both long distance and local domestic commercial switched revenues.

Data revenues for the three and six months ended June 30, 2000, increased 30.4% and 30.0%, respectively, over the same periods of the prior year. Data includes both long distance and local commercial dedicated bandwidth sales. The revenue growth for data services was driven by steady growth in private line customers, new customer applications and upgrades within existing customer base of frame relay services and increased demand in asynchronous transfer mode ("ATM") services. The Company continues to experience strong demand for capacity increases across the product set as businesses move more of their mission critical applications to their networks. As of June 30, 2000, the Company's domestic local voice grade equivalents ("VGEs"), which measure the capacity of local private line data circuits, had increased 98% to 46.8 million VGEs versus the prior year amount.

Internet revenues for the three and six months ended June 30, 2000 increased 40.2% and 42.8%, respectively, over the prior year amounts. Growth was driven by demand for dedicated circuits as more and more business customers migrated their data networks and applications to Internet-based technologies with greater amounts of bandwidth. Dedicated revenue growth for the three and six months ended June 30, 2000 was 68.8% and 64.2%, respectively, from the prior period amounts. Dial revenue growth for the three and six months ended June 30, 2000 was 12.8% and 22.2%, respectively, from the prior period amounts due to contract repricings.

The Company is upgrading its domestic Internet backbone to OC-192c speeds, or 10 gigabits per second, in response to the increasing backbone transport requirements of both its commercial and wholesale accounts. The Company is also implementing Multi Protocol Label Switching ("MPLS") technology along with the deployment of OC-192c. MPLS technology allows packet prioritization to improve latency. The Company's dial access network has grown 86.0% to over 2.3 million modems as of June 30, 2000, compared with the same period in the prior year. Additionally, Internet connect hours increased 62.0% to 1.6 billion hours for the three months ended June 30, 2000 versus the second quarter of 1999.

International revenues - those revenues originating outside of the United States - for the three months ended June 30, 2000 were $1.4 billion, an increase of 30.6% as compared with $1.1 billion for the same period of the prior year. For the six month period ended June 30, 2000, international revenues increased 30.7% to $2.8 billion versus $2.2 billion for the same period of the prior year. Excluding Embratel, international revenues for the three and six months ended June 30, 2000 increased 44.8% and 47.4%, respectively, over the prior period amounts. The increase is attributable to additional sales force and network infrastructure established to pursue international opportunities. During the second quarter of 2000 the Company continued to extend the reach of its end-to-end networks, adding nearly 2,000 buildings for a total of 13,000 buildings connected on the network.

Wholesale and consumer revenues for the three and six month periods ended June 30, 2000 increased 0.8% and 2.7%, respectively, over the same periods in the prior year. The wholesale market continues to be extremely price competitive as declines in minute rates have outpaced increases in traffic. The wholesale market decreases were offset by increases in consumer revenues as the Company's partner marketing programs helped to drive Dial-1 product gains.

Other revenues which, prior to April 1999, primarily consisted of the operations of SHL, were zero for the three and six month periods ended June 30, 2000 and $120 million and $523 million, respectively, for the prior year periods. In April 1999, the Company completed the sale of SHL to EDS for $1.6 billion.

Line costs. Line costs as a percentage of revenues for the second quarter of 2000 were 40.7% as compared to 43.6% reported for the same period of the prior year. On a year-to-date basis, line costs as a percentage of revenues decreased to 40.9% as compared to 44.5% reported for the same period of the prior year. The overall improvements are a result of more traffic and revenues that have no associated access charges, declining access and settlement costs, improved interconnection terms in Europe and network efficiencies associated with the MCI merger and sale of SHL. These improvements were somewhat offset in the second quarter of 2000 by contract repricing in the Internet business.

The principal components of line costs are access charges and transport charges. Regulators have historically permitted access charges to be set at levels that are well above ILECs' costs. As a result, access charges have been a source of universal service subsidies that enable local exchange rates to be set at levels that are affordable. WorldCom has actively participated in a variety of state and federal regulatory proceedings with the goal of bringing access charges to cost-based levels and to fund universal service using explicit subsidies funded in a competitively neutral manner. WorldCom cannot predict the outcome of these proceedings or whether or not the result(s) will have a material adverse impact on its consolidated financial position or results of operations. However, the Company's goal is to manage transport costs through effective utilization of its network, favorable contracts with carriers and network efficiencies made possible as a result of expansion of the Company's customer base by acquisitions and internal growth.

Selling, general and administrative. Selling, general and administrative expenses for the second quarter of 2000 were $2.4 billion or 24.0% of revenues as compared to $2.2 billion or 24.7% of revenues for the second quarter of 1999. On a year-to-date basis, selling, general and administrative expenses as a percentage of revenues decreased to 23.5% as compared to 25.4% for the same period of the prior year. Selling, general and administrative expenses for the three and six month periods ended June 30, 2000 include a $93 million pre-tax one-time charge associated with the termination of the Sprint Merger Agreement, including regulatory, legal, accounting and investment banking fees and other costs. Excluding this charge, selling, general and administrative expenses as a percentage of revenues were 23.0% for both the three and six month periods ended June 30, 2000. The improvement in selling, general and administrative expenses is a result of a better mix of revenues, having scale in the Company's networks and the Company's ability to leverage certain staff areas such as information technology and engineering groups over a larger base of revenues.

Depreciation and amortization. Depreciation and amortization expense for the second quarter of 2000 increased to $1.2 billion or 11.6% of revenues from $1.1 billion or 12.0% of revenues for the comparable quarter of 1999. On a year-to-date basis, this expense increased to $2.3 billion or 11.6% of revenues from $2.2 billion or 12.0% of revenues for the comparable 1999 period. These increases reflect increased amortization and depreciation from 1999 acquisitions as well as additional depreciation related to capital expenditures. As a percentage of revenues, these costs decreased due to the higher revenue base.

Interest expense. Interest expense in the second quarter of 2000 was $236 million or 2.3% of revenues, as compared to $248 million or 2.7% of revenues reported in the second quarter of 1999. For the six months ended June 30, 2000, interest expense was $454 million or 2.2% of revenues as compared to $520 million or 2.8% of revenues for the first six months of 1999. For the three months ended June 30, 2000 and 1999, weighted average annual interest rates on the Company's long-term debt were 7.33% and 7.30%, respectively, while weighted average levels of borrowings were $20.9 billion and $19.9 billion, respectively. For the six months ended June 30, 2000 and 1999, weighted average annual interest rates on the Company's long-term debt were 7.27% and 7.23%, respectively, while weighted average levels of borrowings were $19.9 billion and $20.2 billion, respectively. Interest expense for the three and six months ended June 30, 2000 was favorably impacted by increased construction activity and the associated capitalization, offset by higher weighted average levels of borrowings and higher interest rates on the Company's variable rate debt and 2000 public debt offerings. Interest expense for the six months ended June 30, 2000 was also favorably impacted as a result of SHL sale proceeds, investment sale proceeds and proceeds from the increase in the Company's receivables purchase program in the third quarter of 1999 used to repay indebtedness under the Company's credit facilities and commercial paper program.

Miscellaneous income and expense. Miscellaneous income for the second quarter of 2000 was $109 million or 1.0% of revenues as compared to $48 million or 0.4% of revenues for the second quarter of 1999. For the six months ended June 30, 2000, miscellaneous income was $220 million or 1.1% of revenues as compared to $22 million or 0.1% of revenues for the first six months of 1999. Miscellaneous income includes investment income, equity in income and losses of affiliated companies, the effects of fluctuations in exchange rates for transactions denominated in foreign currencies, gains and losses on the sale of assets and other non-operating items.

Net income applicable to common shareholders. For the quarter ended June 30, 2000, the Company reported net income applicable to common shareholders of $1.3 billion as compared to $865 million reported in the second quarter of 1999. Diluted income per common share was $0.44 compared to income per share of $0.30 for the comparable 1999 period. For the six months ended June 30, 2000, the Company reported net income applicable to common shareholders of $2.6 billion as compared to $1.6 billion for the six months ended June 30, 1999. Diluted income per common share was $0.88 compared to income per common share of $0.54 for the comparable 1999 period.

Liquidity and Capital Resources

As of June 30, 2000, the Company's total debt was $21.3 billion, an increase of $3.2 billion from December 31, 1999. Additionally, at June 30, 2000, the Company had available liquidity of $10.8 billion under its Credit Facilities and commercial paper program (which are described below) and from available cash.

On May 24, 2000, the Company completed a public debt offering of $5.0 billion principal amount of debt securities. The net proceeds of $4.95 billion were used to pay down commercial paper obligations. The public debt offering consisted of $1.5 billion of Floating Rate Notes Due 2001 (the "Floating Rate Notes"), which mature on November 26, 2001, $1.0 billion of 7.875% Notes Due 2003 (the "Notes Due 2003"), which mature on May 15, 2003, $1.25 billion of 8.000% Notes Due 2006 (the "Notes Due 2006"), which mature on May 15, 2006 and $1.25 billion of 8.250% Notes Due 2010 (the "Notes Due 2010"), which mature on May 15, 2010 (collectively, with the Floating Rate Notes, the Notes Due 2003, the Notes Due 2006 and the Notes Due 2010, the "Notes"). The Floating Rate Notes bear interest payable quarterly on the 24th day of February, May, August, and November, beginning August 24, 2000. The Notes Due 2003, the Notes Due 2006 and the Notes Due 2010 bear interest payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2000.

The Notes Due 2006 and the Notes Due 2010 are redeemable, as a whole or in part, at the option of the Company, at any time or from time to time, at respective redemption prices equal to the greater of (i) 100% of the principal amount of the Notes to be redeemed or (ii) the sum of the present values of the Remaining Scheduled Payments (as defined therein) discounted at the Treasury Rate (as defined therein) plus (a) 25 basis points for the Notes Due 2006, and (b) 30 basis points for the Notes Due 2010.

The Company is required, subject to certain exceptions and limitations set forth in the Notes, to pay such additional amounts (the "Additional Amounts") to the beneficial owner of any Note who is a Non-U.S. Holder (as defined in the Notes) in order that every net payment of principal and interest on such Note and any other amounts payable on the Note, after withholding for certain U.S. taxes, will not be less than the amount provided for in such Note to be then due and payable. The Notes are also subject to redemption, at the Company's option, subject to certain conditions specified in the Notes, in the event the Company has or will become obligated or there is a substantial probability the Company will or may be required to pay such Additional Amounts.

Additionally, on June 12, 2000, the Company completed a public debt offering of $60 million principal amount of debt securities. The net proceeds of $59.9 million were used for general corporate purposes. The public debt offering consisted of $60 million of Floating Rate Notes Due 2002 (the "2002 Floating Rate Notes"), which mature on June 11, 2002. The 2002 Floating Rate Notes bear interest payable quarterly on the 11th day of March, June, September and December, beginning September 11, 2000.

On August 3, 2000, WorldCom extended its existing $7 billion 364-Day Revolving Credit and Term Loan Agreement for a successive 364-day term pursuant to a First Amendment and Renewal of the Amended and Restated 364-Day Revolving Credit and Term Loan Agreement ("Facility C Loans"). The Facility C Loans together with the $3.75 billion Amended and Restated Facility A Revolving Credit Agreement dated August 6, 1998 ("Facility A Loans"), provide WorldCom with aggregate credit facilities of $10.75 billion (the "Credit Facilities"). The Credit Facilities provide liquidity support for the Company's commercial paper program and will be used for other general corporate purposes. The Facility A Loans mature on June 30, 2002. The Facility C Loans mature on August 2, 2001; provided, however, that the Company may elect at such time to convert up to $4 billion of the principal debt outstanding under the Facility C Loans from revolving loans to term loans with a maturity date no later than one year after the conversion. The Credit Facilities bear interest payable in varying periods, depending on the interest period, not to exceed six months, or with respect to any Eurodollar Rate borrowing, 12 months if available to all lenders, at rates selected by the Company under the terms of the Credit Facilities, including a Base Rate or Eurodollar Rate, plus the applicable margin. The applicable margin for the Eurodollar Rate borrowing varies from 0.35% to 0.75% as to Facility A Loans and from 0.225% to 0.45% as to Facility C Loans, in each case based upon the better of certain debt ratings. The Credit Facilities are unsecured but include a negative pledge of the assets of the Company and certain of its subsidiaries (subject to certain exceptions). The Credit Facilities require compliance with a financial covenant based on the ratio of total debt to total capitalization, calculated on a consolidated basis. The Credit Facilities require compliance with certain operating covenants which limit, among other things, the incurrence of additional indebtedness by the Company and certain of its subsidiaries, sales of assets and mergers and dissolutions, and which covenants do not restrict distributions to shareholders, provided the Company is not in default under the Credit Facilities. At August 3, 2000, the Company was in compliance with these covenants. The Facility A Loans and the Facility C Loans are subject to annual commitment fees not to exceed 0.25% and 0.15%, respectively, of any unborrowed portion of the facilities.

In January 2000, each share of WorldCom Series C Preferred Stock was redeemed by the Company for $50.75 in cash, or approximately $190 million in the aggregate. The funds required to pay all amounts under the redemption were obtained by WorldCom from available liquidity under the Company's Credit Facilities and commercial paper program.

In the first quarter of 2000, $200 million of senior notes with an interest rate of 7.13% matured. The funds utilized to repay these senior notes were obtained from available liquidity under the Company's Credit Facilities and commercial paper program.

In the third quarter of 1999, the Company amended its $500 million receivables purchase agreement to $2.0 billion. As of June 30, 2000, the purchaser owned an undivided interest in a $3.9 billion pool of receivables, which includes the $2.0 billion sold.

For the six months ended June 30, 2000, the Company's cash flow from operations was $3.9 billion versus $4.6 billion for the comparable 1999 period. The Company's improved operating results were more than offset by a $608 million first half of 2000 increase in accounts receivable at Embratel primarily due to Embratel's direct billing of customers and the implementation of this new billing system during the first half of 2000. Additionally, there were decreases in other current liabilities of $1.1 billion versus the prior year period.

Cash used in investing activities for the six months ended June 30, 2000, totaled $7.0 billion. Primary capital expenditures include purchases of switching, transmission, communications and other equipment. The Company anticipates that approximately $4.2 billion will be spent during the remainder of 2000 for transmission and communications equipment, construction and other capital expenditures without regard to Embratel.

Increases in interest rates on WorldCom's variable rate debt would have an adverse effect upon WorldCom's reported net income and cash flow. The Company believes that it will generate sufficient cash flow to service WorldCom's debt and capital requirements; however, economic downturns, increased interest rates and other adverse developments, including factors beyond WorldCom's control, could impair its ability to service its indebtedness. In addition, the cash flow required to service WorldCom's debt may reduce its ability to fund internal growth, additional acquisitions and capital improvements.

The development of the businesses of WorldCom and the installation and expansion of its domestic and international networks will continue to require significant capital expenditures. Failure to have access to sufficient funds for capital expenditures on acceptable terms or the failure to achieve capital expenditure synergies may require WorldCom to delay or abandon some of its plans, which could have a material adverse effect on the success of WorldCom. The Company has historically utilized a combination of cash flow from operations and debt to finance capital expenditures and a mixture of cash flow, debt and stock to finance acquisitions. Additionally, the Company expects to experience increased capital intensity due to network expansion as noted above and believes that funding needs in excess of internally generated cash flow and Credit Facilities and commercial paper program will be met by accessing the debt markets. The Company has filed a shelf registration statement on Form S-3 with the SEC for the sale, from time to time, of one or more series of unsecured debt securities having a remaining aggregate value of approximately $9.9 billion. The shelf registration statement offers the Company flexibility, as the market permits, to access the public debt markets. No assurance can be given that any public financing will be available on terms acceptable to the Company.

Absent significant capital requirements for acquisitions, the Company believes that cash flow from operations and available liquidity, including the Company's Credit Facilities and commercial paper program and available cash will be sufficient to meet the Company's capital needs for the next twelve months. However, under existing credit conditions, the Company believes that funding needs in excess of internally generated cash flow and availability under the Company's Credit Facilities and commercial paper program could be met by accessing debt markets.

Recently Issued Accounting Standards

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements"; ("SAB 101"). In June 2000, the SEC issued an amendment to SAB 101 which allows registrants to wait until the fourth quarter of their fiscal year beginning after December 15, 1999 to implement SAB 101. SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The deferral of telecommunications service activation fees and certain related costs are specifically addressed in SAB 101. WorldCom is currently assessing the impact of SAB 101 on its consolidated results of operations or financial position and there can be no assurance as to the effect on the Company's consolidated financial statements.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. This statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires a company to formally document, designate and assess the effectiveness of transactions that receive hedge accounting. This statement is currently effective for fiscal years beginning after June 15, 2000 and cannot be applied retroactively, although earlier adoption is encouraged. SFAS No. 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after December 31, 1997 (and, at the Company's election, before January 1, 1998). The Company believes that the adoption of this standard will not have a material effect on the Company's consolidated results of operations or financial position.

Euro Conversion

On January 1, 1999, certain member countries of the European Union established fixed conversion rates between their existing currencies and the European Union's common currency ("Euro"). The transition period for the introduction of the Euro will be between January 1, 1999 to July 1, 2002. All of the final rules and regulations have not yet been identified by the European Commission with regard to the Euro. The Company is currently evaluating methods to address the many issues involved with the introduction of the Euro, including the conversion of information technology systems, recalculating currency risk, recalibrating derivatives and other financial instruments, strategies concerning continuity of contracts, and impacts on the processes for preparing taxation and accounting records. At this time, the Company has not yet determined the cost related to addressing this issue, and there can be no assurance as to the effect of the Euro on the consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to the impact of interest rate changes, foreign currency fluctuations and changes in market values of investments.

The Company's policy is to manage interest rates through the use of a combination of fixed and variable rate debt. Currently, the Company does not use derivative financial instruments to manage its interest rate risk. The Company has minimal cash flow exposure due to general interest rate changes for its fixed rate, long-term debt obligations. The Company does not believe a hypothetical 10% adverse rate change in the Company's variable rate debt obligations would be material to the Company's results of operations.

The Company is exposed to foreign exchange rate risk primarily due to the Company's international operations holding approximately $1.3 billion in U.S. dollar denominated debt, and approximately $291 million of indebtedness indexed in other currencies including the French Franc, Deutsche Mark, Japanese Yen and Brazilian *real* as of June 30, 2000. The potential immediate loss to the Company that would result from a hypothetical 10% change in foreign currency exchange rates based on these positions would be approximately $39 million (after elimination of minority interests).

The Company is also subject to risk from changes in foreign exchange rates for its international operations which use a foreign currency as their functional currency and are translated into U.S. dollars. Additionally, the Company has designated the note payable in local currency installments, resulting from the Embratel investment, as a hedge of its investment in Embratel. As of June 30, 2000, the Company recorded the change in value of the note as a reduction to the note payable with the offset through foreign currency translation adjustment in shareholders' investment.

The Company believes its market risk exposure with regard to its marketable equity securities is limited to changes in quoted market prices for such securities. Based upon the composition of the Company's marketable equity securities at June 30, 2000, the Company does not believe a hypothetical 10% adverse change in quoted market prices would be material to net income.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes in the legal proceedings reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1999, except as may be reflected in the discussion under Note H of the Notes to Consolidated Financial Statements in Part I, Item 1, above, which is hereby incorporated by reference herein.

Item 2. Changes in Securities and Use of Proceeds

In May 2000, in connection with its acquisition of the remaining shares of Mtel Latin America, Inc., the Company issued 346,410 shares of WorldCom common stock to Newbridge Latin America, L.P. In connection with this transaction, the Company relied on an exemption from registration contained in Section 4(2) of the Securities Act and Regulation D promulgated thereunder.

Item 3. Defaults upon Senior Securities

None.

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

On April 28, 2000, the Company held a Special Meeting of Shareholders for the purpose of considering and voting upon a proposal to approve the merger agreement between WorldCom and Sprint and the transactions contemplated thereby. The tabulation of the voting is as follows:

For	1,777,724,237
Against	23,006,600
Abstentions and Broker non-votes	11,961,477

On June 1, 2000, the Company held the 2000 Annual Meeting of Shareholders for the purposes of:

1. electing a Board of fourteen (14) directors; and
2. considering and acting upon a shareholder proposal on Shareholder Rights Plans.

The tabulation of the voting is as follows:

Election of Directors:	For	Against or Withheld	Abstentions or Broker Non-Votes
Clifford L. Alexander, Jr.	2,309,501,376	18,233,709	0
James C. Allen	2,309,994,093	17,740,992	0
Judith Areen	2,309,843,440	17,891,645	0
Carl J. Aycock	2,309,318,590	18,416,495	0
Max E. Bobbitt	2,310,050,413	17,684,672	0
Bernard J. Ebbers	2,309,900,821	17,834,264	0
Francesco Galesi	2,309,322,558	18,412,527	0
Stiles A. Kellett, Jr.	2,309,907,064	17,828,021	0
Gordon S. Macklin	2,309,084,628	18,650,457	0
John A. Porter	2,309,771,645	17,963,440	0
Bert C. Roberts, Jr.	2,309,754,755	17,980,330	0
John W. Sidgmore	2,310,202,164	17,532,921	0
Scott D. Sullivan	2,309,900,284	17,834,801	0
Lawrence C. Tucker	2,309,723,980	18,011,105	0
Shareholder proposal on Shareholder Rights Plans	872,432,261	746,894,723	708,408,101

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

See Exhibit Index.

B. Reports on Form 8-K

(i) Current Report on Form 8-K-1 dated April 11, 2000 (filed April 11, 2000), reporting under item 5, Other Events, information related to the Sprint Merger Agreement and business operations of Sprint.

(ii) Current Report on Form 8-K-2 dated April 11, 2000 (filed April 11, 2000), reporting under item 7(a), Financial Statements of Business Acquired, information related to the financial results of Sprint for the periods ended December 31, 1999 and under item 7(b), Pro Forma Financial Information, the pro forma condensed combined financial statements of WorldCom as of and for the year ended December 31, 1999.

(iii) Current Report on Form 8-K dated May 16, 2000 (filed May 16, 2000), reporting under item 7(a), Financial Statements of Business Acquired, information related to the financial results of Sprint for the quarter ended March 31, 2000 and under item 7(b), Pro Forma Financial Information, the pro forma condensed combined financial statements of WorldCom as of and for the three month period ended March 31, 2000.

(iv) Current Report on Form 8-K dated May 19, 2000 (filed May 22, 2000), reporting under item 5, Other Events, information related to the Company's public debt offering of $5.0 billion principal amount of debt securities.

(v) Current Report on Form 8-K dated May 31, 2000 (filed June 12, 2000), reporting under item 5, Other Events, information related to the Company's public debt offering of $60 million principal amount of debt securities.

SIGNATURE

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

WorldCom, Inc.

By: /s/ Scott D. Sullivan
Scott D. Sullivan
Chief Financial Officer

Dated: August 14, 2000.

EXHIBIT INDEX

Exhibit No.	Description
1.1	Underwriting Agreement dated May 19, 2000, between WorldCom, Inc. ("WorldCom") and Salomon Smith Barney Inc. and the other firms named therein, acting severally on behalf of themselves as Managers and Underwriters and on behalf of the other several Underwriters, if any, named in the Terms Agreement (incorporated herein by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K dated May 19, 2000 (filed May 22, 2000) (File No. 0-11258))
1.2	Terms Agreement, dated May 19, 2000, between WorldCom, and Salomon Smith Barney Inc. and the other firms named therein, acting severally on behalf of themselves as Managers and Underwriters and on behalf of the other several Underwriters named therein (incorporated herein by reference to Exhibit 1.2 to the Company's Current Report on Form 8-K dated May 19, 2000 (filed May 22, 2000) (File No. 0-11258))
4.1	Second Amended and Restated Articles of Incorporation of WorldCom, Inc. (including preferred stock designations), as amended as of May 1, 2000 (incorporated herein by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000 (File No. 0-11258))
4.2	Restated Bylaws of WorldCom, Inc. (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K dated September 14, 1998 (filed September 29, 1998) (File No. 0-11258))
4.3	Rights Agreement dated as of August 25, 1996, between the Company and The Bank of New York, which includes the form of Certificate of Designations, setting forth the terms of the Series 3 Junior Participating Preferred Stock, par value $.01 per share, as Exhibit A, the form of Rights Certificate as Exhibit B and the Summary of Preferred Stock Purchase Rights as Exhibit C (incorporated herein by reference to Exhibit 4 to the Current Report on Form 8-K dated August 26, 1996 (as amended on Form 8-K/A filed August 31, 1996) filed by the Company with the Securities and Exchange Commission on August 26, 1996 (as amended on Form 8-K/A filed on August 31, 1996) (File No. 0-11258))
4.4	Amendment No. 1 to Rights Agreement dated as of May 22, 1997, by and between WorldCom, Inc. and The Bank of New York, as Rights Agent (incorporated herein by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated May 22, 1997 (filed June 5, 1997) (File No. 0-11258))
4.5	Form of Floating Rate Note Due 2001 (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 19, 2000 (filed May 22, 2000) (File No. 0-11258))
4.6	Form of 7.875% Note Due 2003 (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 19, 2000 (filed May 22, 2000) (File No. 0-11258))
4.7	Form of 8.000% Notes Due 2006 (incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated May 19, 2000 (filed May 22, 2000) (File No. 0-11258))
4.8	Form of 8.25% Notes Due 2010 (incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated May 19, 2000 (filed May 22, 2000) (File No. 0-11258))
4.9	Indenture dated as of May 15, 2000 by and between WorldCom and Chase Manhattan Trust Company, National Association (incorporated herein by reference to Exhibit 4.1 to WorldCom's Registration Statement on Form S-3 (File No. 333-34578))
10.1	Amended and Restated Facility A Revolving Credit Agreement among WorldCom, NationsBank, N.A., NationsBanc Montgomery Securities LLC, Bank of America NT & SA, Barclays Bank PLC, The Chase Manhattan Bank, Citibank, N.A., Morgan Guaranty Trust Company of New York, and Royal Bank of Canada and the lenders named therein dated as of August 6, 1998 (incorporated