

ORIGINAL

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

(020000)

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

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**NOTICE OF HEARING ON DEBTORS' APPLICATION FOR
ORDER AUTHORIZING EMPLOYMENT AND RETENTION
OF LAZARD FRÈRES & CO. LLC AS FINANCIAL ADVISORS AND INVESTMENT
BANKERS FOR THE DEBTORS AND DEBTORS IN POSSESSION PURSUANT
TO SECTIONS 327(a) AND 328 OF THE BANKRUPTCY CODE**

TO ALL CREDITORS OF THE DEBTORS:

PLEASE TAKE NOTICE that on July 21, 2002, WorldCom, Inc. and substantially all of its direct and indirect domestic subsidiaries, as debtors in possession (the "Debtors") filed an Application for an Order Authorizing Employment and Retention of Lazard Frères & Co. LLC ("Lazard") as Financial Advisors and Investment Bankers for the Debtors pursuant to sections 327(a) and 328(a) of the Bankruptcy Code (the "Application").

PLEASE TAKE FURTHER NOTICE that a hearing on the Application is scheduled for December 3, 2002 at 10:00 a.m. prevailing Eastern Time before the Honorable Arthur J. Gonzalez, United States Bankruptcy Judge, in Room 523 of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"), Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that responses or objections, if any, to the relief requested in the Application, must be in writing, conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, and be filed with the Bankruptcy Court electronically in accordance with General Order M-242 (General Order M-242 and the User's Manual for the Electronic Case Filing System can be found at www.nysub.uscourts.gov, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Wordperfect or any other Windows-based word processing format (with a hard copy delivered directly to Chambers) and shall be served in accordance with General Order M-242 and upon: (i) the Debtors, 1133 19th Street, Washington, D.C. 20036, Attention: Michael Salisbury, Esq., General Counsel, (ii) Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Attention: Marcia L. Goldstein, Esq. and Lori R. Fife, Esq., attorneys for the Debtors; (iii) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st floor, New York, New York 10004, Attention: Mary Elizabeth Tom, Esq.; (iv) Akin Gump Strauss Hauer & Feld, LLP, 590 Madison Avenue, New York, New York 10022, Attention: Daniel Golden, Esq., attorneys for the statutory committee of creditors; (v) Kirkpatrick & Lockhart LLP, 1800 Massachusetts Avenue, Washington, DC 20036, Attention: Richard Thornburgh, Esq. attorneys for the examiner in these chapter 11 cases,; and (e) Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, Attention: Douglas Bartner, Esq. and Marc B. Hankin, Esq., attorneys for the Debtors' postpetition lenders, and shall be filed with the Clerk of the United States Bankruptcy Court for the Southern District of New York, in each case so as to be received no later than November 28, 2002, at 4:00 p.m. (Eastern Time).

PLEASE TAKE FURTHER NOTICE that pursuant to the Application, the Debtors seek to retain Lazard to perform the following services, as requested:

- (a) A review and analysis of the Debtors' business, operations and financial projections;
- (b) Evaluating the Debtors' potential debt capacity in light of its projected cash flows;

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- (c) Assisting in the determination of a capital structure for the Debtors;
- (d) Determining a range of values for the Debtors on a going concern basis;
- (e) Advising the Debtors on tactics and strategies for negotiating with the holders of the Existing Obligations¹ (the “Stakeholders”);
- (f) Rendering financial advice to the Debtors and participating in meetings or negotiations with the Stakeholders and/or rating agencies or other appropriate parties in connection with any restructuring, modification or refinancing of the Debtors’ Existing Obligations;
- (g) Advising the Debtors on the timing, nature, and terms of new securities, other consideration or other inducements to be offered pursuant to the Restructuring Transaction;
- (h) If requested by the Debtors, advising and assisting the Debtors in evaluating potential capital markets transactions of public or private debt or equity offerings, including any debtor-in-possession financing by the Debtors, and, on behalf of the Debtors, evaluating and contacting potential sources of capital and assisting the Debtors in negotiating such a Financing Transaction;
- (i) Assisting the Debtors in preparing documentation within our expertise required in connection with the Restructuring of the Existing Obligations;
- (j) If requested by the Board of Directors of the Debtors, assisting in identifying and evaluating candidates for a potential Business Combination, advising the Debtors in connection with negotiations and aiding in the consummation of a Business Combination;
- (k) Advising and attending meetings of the Debtors’ Boards of Directors and their committees;
- (l) Providing testimony and/or other evidence, as necessary, in any proceeding before the bankruptcy court;
- (m) Providing the Debtors with other general restructuring advice.

PLEASE TAKE FURTHER NOTICE that, if its retention is approved, Lazard will be entitled to receive the following compensation:

- (a) A monthly fee of \$300,000, payable in cash on the 1st day of each month thereafter until the earlier of the completion of the Restructuring Transaction or the termination of Lazard’s engagement (the “Monthly Advisory Fee”).
- (b) A cash fee equal to \$15 million payable in cash upon the consummation of a Restructuring Transaction (the “Restructuring Fee”).
- (c)
 - (i) If the Board of Directors of the Debtors requests Lazard to assist in connection with any proposed Business Combination and such Business Combination is consummated, a Business Combination Fee in cash based on the Aggregate Consideration calculated as set forth in Exhibit A to the Application, such fee to be paid promptly upon the closing of such Business Combination.
 - (ii) If the Board of Directors of the Debtors requests Lazard to assist in connection with any transaction involving the sale of certain of WorldCom’s business lines, divisions or operating groups (a “Sale Transaction”), a Sale Transaction Fee in cash based on the Aggregate Consideration calculated as set forth in Exhibit A to the Application, such fee to be payable promptly upon the closing of such transaction.

¹ All capitalized terms contained herein are defined in the engagement letter dated as of July 11, 2002, between Lazard and the Debtors (as amended, the “Engagement Letter”), attached as an exhibit to the Application.

One-half of any fee paid pursuant to this clause (c) will be credited against the Restructuring Fee if, as and when such fee is payable to Lazard under Section 2(b).

The aggregate Sale Transaction Fees and Business Combination Fees payable under Section (c) above shall not exceed \$40,000,000.

(d) More than one fee may be payable pursuant to clauses (b) and (c) above.

PLEASE TAKE FURTHER NOTICE that if the Application is granted, the Debtors will indemnify and hold Lazard harmless against liabilities arising out of or in connection with its retention by Debtors except for any such liability for losses, claims, damages or liabilities incurred by the Debtors that are finally judicially determined by a court of competent jurisdiction to have resulted from the bad faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct of Lazard.

PLEASE TAKE FURTHER NOTICE that the foregoing summary of certain elements of the proposed retention is not complete and that the full terms of the retention are contained in the Application and the Engagement Letter and the related indemnification letter, which are available for inspection at the clerk's office for the Bankruptcy Court and on the Bankruptcy Court's Internet site at www.nysb.uscourts.gov, through an account obtained from Pacer Service Center at 1-800-676-6856. To the extent that the summary of the retention terms set forth in this notice conflict with the terms of the Engagement Letter and the related indemnification letter, the terms of the Engagement Letter and the indemnification letter control.

Dated: October 9, 2002
New York, New York

/s/ Marcia L. Goldstein
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