BEFORE THE TENNESSEE REGULATORY AUTHORITY January 30, 1998 NASHVILLE, TENNESSEE

IN RE: PETITION OF WORL

PETITION OF WORLDCOM, INC.,
MFS INTELENET OF TENNESSEE, INC.,

MFS INTELENET OF TENNESSEE, INC.,) Docket No. AND WORLDCOM TECHNOLOGIES, INC.,) 97-01361

FOR APPROVAL TO REORGANIZE AND

FOR RELATED TRANSACTIONS.

ORDER GRANTING AUTHORITY TO REORGANIZE AND APPROVAL OF RELATED TRANSACTIONS

This matter is before the Tennessee Regulatory Authority ("Authority") upon the Petition of WorldCom, Inc. ("WorldCom"), MFS Intelenet of Tennessee, Inc. ("MFS of Tennessee"), MFS Communications Company, Inc. ("MFSCC"), MFS Network Technologies, Inc. ("MFS NT"), and WorldCom Technologies, Inc. ("WorldCom Technologies" or "transferee"), (Collectively "Petitioners"). On July 21, 1997, pursuant to the provisions of Tenn. Code Ann. § 65-4-113, Petitioners requested authority to transfer all of WorldCom's operating authority in Tennessee (including that of MFS of Tennessee) to WorldCom Technologies, and transfer all of WorldCom's assets related to its regulated operations in Tennessee to WorldCom Technologies.

Additionally, Petitioners requested that the transferee, WorldCom Technologies, be granted full authority to provide the transferred services subject to the continuing regulation of the Authority. The services that are being transferred include, but are not limited to, the following: switched and dedicated long distance and local products; 800 services; calling cards; domestic and international private lines; broadband data services; debit cards; conference calling; advanced billing systems; enhanced facsimile and data connections; local access to ATM-based backbone service; and interconnection via Network Access Points to Internet service providers. On July 21, 1997, Notice of the Application was served upon

incumbent local exchange carriers and other interested parties. No parties sought intervention before the Authority.

The Authority considered the Petition at a regularly scheduled Authority Conference on September 9, 1997. The Authority finds that the record in this cause shows that:

- 1. WorldCom Technologies is a wholly-owned subsidiary of WorldCom, and meets all technical, managerial, financial, and legal qualifications required of a Competing Telecommunications Service Provider under Tenn. Code Ann. § 65-4-201.
- 2. WorldCom Technologies has demonstrated in its application that it has met the requirements under Tenn. Code Ann. § 65-4-113 that it is a suitable company to provide the transferred services, that it possesses the financial stability and capability to efficiently perform said services, and as such, that it will benefit the consuming public.
- 3. WorldCom Technologies has filed a Small and Minority Owned Telecommunications Business Participation Plan in accordance with Tenn. Code Ann. § 65-5-212.
- 4. Approval of the proposed transfer, reorganization and related transactions under Tenn. Code Ann. § 65-4-113 will serve the public interest by removing organizational complexity, thereby making administration less burdensome for WorldCom, and the governmental agencies that regulate it. Reorganization into a single holding company will enable WorldCom to simplify its managerial reporting and to operate more efficiently and effectively by eliminating a number of redundant administrative functions.
- 5. As a result of the transfer, WorldCom and MFS of Tennessee will no longer have the authority to provide the transferred services.

IT IS THEREFORE ORDERED:

1. That the Petition of WorldCom, Inc., MFS Intelenet of Tennessee, Inc., MFS Communications Company, Inc., MFS Network Technologies, Inc., and WorldCom

Technologies, Inc., is hereby granted, and the transferee WorldCom Technologies, Inc., is granted full authority to provide the transferred services subject to the continuing regulation of the Tennessee Regulatory Authority and the transferors, WorldCom, Inc., and MFS Intelenet of Tennessee, Inc., shall no longer have the authority to provide the transferred services.

- 2. That the request of WorldCom, Inc., MFS Network Technologies, Inc., MFS Communications Company, Inc., and WorldCom Technologies, Inc., for approval of the corporate reorganization and related transactions, including the transfer of all of WorldCom's assets related to its regulated operations in Tennessee to WorldCom Technologies is hereby granted.
- 3. That any party aggrieved by the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within ten (10) days from and after the date of this Order.
- 4. That any party aggrieved by the Authority's decision in this matter may file a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

ÇHAIRMAN

DIRECTOR

ATTEST:

EXECUTIVE SECRETARY

austin

BEFORE THE TENNESSEE REGULATORY AUTHORITY

RECEIVED
TELECOMMUNICATIONS DIVISION
TENNESSEE REGULATORY AUTHORITY

Petition of) JUL 2 2 1997			
WORLDCOM, INC., MFS INTELNET OF TENNESSEE, INC. AND WORLDCOM TECHNOLOGIES, INC.))) Docket No. <u>97-0/36</u>)	Z	167 UL 2	
For Approval to Reorganize and For Related Transactions)))		1 PM	· . —
	PETITION	YANY	그	

WorldCom, Inc. ("WorldCom"), MFS Intelnet of Tennessee, Inc. ("MFS of Tennessee"), MFS Communications Company, Inc. ('MFSCC"), MFS Network Technologies, Inc. ("MFS NT") and WorldCom Technologies, Inc. ("WorldCom Technologies") (collectively "Petitioners"), by their attorneys and pursuant to the statutes, rules and regulations of the Tennessee Regulatory Authority ("Authority"), respectfully request approval of the reorganization of their corporate structure and operations and to complete a series of transactions related thereto. As described below, the Petitioners specifically seek authority to:

- (1) transfer all of WorldCom's operating authority in Tennessee (including that of MFS of Tennessee) to WorldCom Technologies; and
- (2) transfer all of WorldCom's assets related to its regulated operations in Tennessee to WorldCom Technologies.

¹WorldCom Technologies, the parent company of MFS of Tennessee, was formerly known as MFS Intelnet, Inc. A chart depicting the existing overall organizational structure of the WorldCom companies related to its provision of service in Tennessee is appended hereto as Attachment A.

As a result of the Petitioners' proposed transactions, MFS of Tennessee will cease to exist and WorldCom will become a holding company. Thus, WorldCom Technologies will be one of the primary operating entities of the WorldCom family of companies in Tennessee.²

In support of their Petition, the Petitioners provide the following information:

I. THE PETITIONERS

WorldCom, with its subsidiaries, is one of the largest and most innovative telecommunications companies in the United States, providing telecommunications services to business, government, other telecommunications companies and residential customers through its network of fiber optic cables, digital microwave, and fixed transportable satellite earth stations. As a result of its recent acquisition of MFSCC, which the Authority approved on October 3, 1996 in Docket No. 96-01363, WorldCom is the first major telecommunications company with the capability to provide its customers with high-quality local, long distance, Internet, data and international communications services over its own transmission facilities. With service to points around the world, the WorldCom companies' telecommunications products and services include: switched and dedicated long distance and local products, 800 services, calling cards, domestic and international private lines, broadband data services, debit cards, conference calling, advanced billing systems, enhanced facsimile and data connections, local access to ATM-based backbone service, and interconnection via Network Access Points to Internet service providers.

²Importantly, the Petitioners note that only the entities described herein are being consolidated and reorganized at this time. Therefore, after the proposed transactions are completed, other affiliated entities that currently hold Certificates of Authority to provide telecommunications services in Tennessee will continue to operate. *See* Attachment A.

WorldCom is a publicly-held Georgia corporation whose principal offices are located at 515 East Amite Street, Jackson, Mississippi 39201. WorldCom is the ultimate corporate parent of the entire WorldCom family of companies, including MFS of Tennessee and WorldCom Technologies. WorldCom is authorized to provide telecommunications services in 48 states, including Tennessee. MFS of Tennessee is a wholly-owned subsidiary of WorldCom Technologies, which is a wholly-owned subsidiary of WorldCom.

As illustrated in the organizational chart appended hereto as Attachment A,
WorldCom Technologies (formerly known as MFS Intelnet, Inc.), a Delaware corporation, is one
of the two intermediate subsidiaries between MFSCC and MFS of Tennessee. WorldCom
Technologies currently functions as a holding company and does not directly provide
telecommunications services in any state.³ However, WorldCom Technologies provides
interexchange service in 49 states through 49 separate operating subsidiaries, 24 of which are also
authorized to provide local exchange service.

II. DESIGNATED CONTACTS

The designated contact for purposes of this Petition is:

H. LaDon Baltimore Farrar & Bates, L.L.P. 211 Seventh Avenue North, Suite 320 Nashville, Tennessee 37219-1823 Phone: (615) 254-3060 Facsimile: (615) 254-9835

Copies of all correspondence, notices, inquiries and orders should also be sent to:

³WorldCom Technologies is qualified to transact business in Tennessee as a foreign corporation. A copy of WorldCom Technologies' qualifying document is attached as Attachment B.

Mark Argenbright
Senior Manager, Regulatory Analysis
WorldCom, Inc.
515 East Amite Street
Jackson, Mississippi 39201

Claire Daly Directory, Regulatory Affairs WorldCom, Inc. 201 Energy Parkway, Suite 200 Lafayette, Louisiana 70508

III. PRO FORMA TRANSFER OF CONTROL

As depicted on the organizational chart appended hereto as Attachment A, WorldCom Technologies is presently a wholly-owned subsidiary of MFS NT. MFS NT is a non-regulated entity that operates as a holding company and service integrator.

Aspect I of the overall corporate reorganization involves removing MFS NT from the chain of corporate ownership of WorldCom Technologies by transferring control of WorldCom Technologies to MFSCC, which is presently MFS NT's corporate parent. Thus, MFS NT will be shifted down one level while WorldCom Technologies will be shifted up one level. MFS NT will become an *affiliate* of WorldCom Technologies, and MFSCC will become WorldCom Technologies's direct corporate parent. S

⁴Importantly, the Petitioners note that the changes described herein will affect a number of WorldCom companies which are not named herein because they are not regulated by the Authority. One such entity is MFS Transportation Systems, Inc., a construction company that is a wholly-owned subsidiary of MFS NT.

⁵See Attachments C and D. The pro forma transfer of WorldCom Technologies is contingent upon receipt of a favorable private letter ruling from the Internal Revenue Service ("IRS"). If the Petitioners do not receive a favorable private letter ruling from the IRS, they may reconsider implementing the pro forma transfer of control of WorldCom Technologies to MFSCC. The Petitioners will advise the Authority of their final plans as soon as possible.

IV. REQUEST FOR APPROVAL OF TRANSFER OF WORLDCOM'S CERTIFICATE OF AUTHORITY AND ASSETS TO WORLDCOM TECHNOLOGIES.

Aspect II of the proposed reorganization involves the transfer of WorldCom's Certificate of Authority and telecommunications-related assets to WorldCom Technologies. WorldCom currently holds a certificate of authority to provide intrastate interexchange service as a long distance reseller (Docket No. 95-03308). WorldCom's authority to provide intrastate telecommunications service as a Competing Telecommunications Service Provider was transferred to MSF of Tennessee (Docket No. 97-01207; approved July 15, 1997). After the transfer, WorldCom will cease to provide telecommunications services to consumers in Tennessee and will function exclusively as a holding company. WorldCom Technologies will assume WorldCom's operations and will provide telecommunications services to WorldCom's customers in Tennessee.

The proposed "roll down" of WorldCom's operations to WorldCom Technologies will have no adverse impact on consumers in Tennessee. WorldCom Technologies will file a new tariff that will incorporate all of WorldCom's existing services into its tariff at the same rates, terms and conditions as are currently available. The impact of the "roll down" on consumers in Tennessee will be negligible because WorldCom Technologies will serve WorldCom's current customers using the same network, billing systems, and customer service operations that WorldCom uses pursuant to identical tariffs. Thus, WorldCom's customers will continue to receive high quality services, at the same rates and under the same terms and conditions.

⁶See Attachment E.

The Petitioners respectfully request that the Authority approve the transfer of WorldCom's Certificate of Authority and assets to WorldCom Technologies.⁷

V. MERGER OF MFS OF TENNESSEE AND WORLDCOM TECHNOLOGIES

Aspect III of the proposed reorganization entails the merger of MFS of Tennessee with and into WorldCom Technologies. MFS of Tennessee's assets will be transferred to WorldCom Technologies. After the merger, MFS of Tennessee will cease to exist.

The merger is strictly pro forma and will have no direct impact on consumers in Tennessee. Other than the pro forma transfer of control of WorldCom Technologies from MFS NT to MFSCC, there will be no change in ownership or control of WorldCom Technologies and its business plan and operations in Tennessee will not be affected.

VI. MANAGERIAL, TECHNICAL AND FINANCIAL QUALIFICATIONS OF WORLDCOM TECHNOLOGIES

As a wholly-owned subsidiary of WorldCom, WorldCom Technologies is financially, managerially and technically qualified to provide the services it requests authority to provide in this Petition. WorldCom Technologies is managed by the same team of qualified personnel as both WorldCom and MFS of Tennessee. Its officers and directors are:

Ronald R. Beaumont Director
John W. Sidgmore Director
Bernard J. Ebbers President
Scott D. Sullivan Secretary

⁷If the Authority determines that it is not appropriate to transfer WorldCom's Certificate of Authority to WorldCom Technologies, the Petitioners respectfully request that the Authority grant a new Certificate of Authority to WorldCom Technologies authorizing it to provide the full range of services that WorldCom currently is authorized to provide and thereafter cancel WorldCom's Certificate of Authority.

See Attachment F.

Ronald J. Beaumont Alex J. Harris Chief Executive Officer
Assistant Vice President

Debra L. Keith Robert J. Ludvik Vice President
Vice President

Paul W. McKnight

Chief Financial Officer

Further, WorldCom Technologies benefits from the financial strength of its ultimate parent company, WorldCom. In 1996, WorldCom reported revenues of \$5.6 billion (on a pro forma basis as if the MFS acquisition occurred on January 1, 1996) compared to \$4.3 billion on the same basis for 1995. In the first quarter of 1997, WorldCom (including MFS) reported revenues of \$1.7 billion (\$6.8 billion on an annualized basis) compared to \$1.2 billion on a pro form basis (\$4.8 billion on an annualized basis) for the same period of 1996. Similarly, earnings before depreciation and amortization totaled \$226 million for the first quarter (\$1.1 billion on an annualized basis). On the basis of the foregoing, WorldCom Technologies is qualified to provide telecommunications services in Tennessee.

VII. WORLDCOM TECHNOLOGIES WILL ADHERE TO ALL APPLICABLE AUTHORITY POLICIES, RULES AND ORDERS.

WorldCom Technologies is familiar with and will adhere to the Authority's rules, policies and orders regarding the provision of telecommunications services. WorldCom Technologies will provide service in Tennessee in full compliance with any and all rules and regulations that have been or may be adopted relating to the provision of telecommunications services, as well as any other applicable state or federal rules, regulations or statutes.

In accordance with Sections 16 and 17 of Chapter 408 of the Public Acts of 1995, WorldCom Technologies, with respect to its Tennessee business operations, will identify small and minority businesses as those terms are defined in Section 16 of the Act and will adhere to the

small and minority business assistance plan filed by its parent company, WorldCom, in its application for certification as a Competing Telecommunications Service Provider and the plan of WorldCom Technologies's affiliate, MFS of Tennessee. WorldCom Technologies will adhere to all terms of such plan, including the designation of a small and minority business coordinator, which is currently on file with the Authority.

VIII. TARIFFS

In order to complete the overall transition, WorldCom Technologies will file a new tariff that incorporates all of the services currently offered by WorldCom as well as the rates, terms and conditions that are currently available. Upon approval of WorldCom Technologies's tariff, WorldCom will withdraw its existing tariffs and will cease to offer service to customers in Tennessee.

IX. SUMMARY OF TRANSACTIONS

Pursuant to the proposed reorganization, the Petitioners will be engaging in a series of transactions, all of which are designed to consolidate operations in a way that simplifies regulatory oversight and corporate administration. WorldCom Technologies will become one of WorldCom companies' primary operating entities, and every transaction proposed herein is designed to set up WorldCom Technologies in that role with all of the necessary operational assets as well as the state and federal authority required to provide intrastate, interstate and international telecommunications services nationwide.

The first aspect of the reorganization as described herein involves a pro forma transfer of control of WorldCom Technologies from MFS NT to MFSCC. MFSCC will become the direct parent company of WorldCom Technologies.

The second aspect involves the "roll down" of WorldCom's telecommunications operations and assets, including relevant operating authority, to WorldCom Technologies.

Appropriate tariff filings will be made and WorldCom will cease to provide telecommunications services in Tennessee.

The third aspect of the reorganization involves the "roll up" of MFS of Tennessee by merging MFS of Tennessee with and into WorldCom Technologies. WorldCom Technologies will be the surviving entity, holding all of MFS of Tennessee's assets.

In addition, WorldCom will withdraw its existing tariffs upon completion of the reorganization and approval of WorldCom Technologies's tariff.

The corporate structure resulting from this series of transactions is depicted on Attachment G hereof. The Petitioners request that the Authority grant any and all authority required to accomplish this reorganization.

X. PUBLIC INTEREST ANALYSIS

WorldCom's extraordinary growth has been fueled by the acquisition over time of nearly 100 companies, including more than 75 telecommunications services providers. An already complex corporate structure was further complicated by the acquisition of MFSCC and its operating subsidiaries at the end of 1996, which added over 50 regulated corporations to the WorldCom family of companies. This circumstance has created an unwieldy web of intercorporate relationships, and a confusing patchwork of regulatory authority. The resulting complexity has made administration unnecessarily burdensome for both WorldCom and the regulatory agencies that regulate it. By reorganizing into a single holding company with far fewer regulated subsidiaries, WorldCom hopes to simplify its managerial tasks as well as the burden on

regulators. The consolidation also will enable the WorldCom companies to operate more efficiently and effectively by eliminating a number of redundant administrative functions. By becoming more efficient, WorldCom will be positioned to become an even more effective competitor in the market for telecommunications services in Tennessee.

WHEREFOR, the Petitioners pray that:

- the Authority approve the reorganization as described herein and the transfer of authority as requested herein; and
- 2) the Authority grant Petitioners such other, further and general relief to which they may be entitled under the premises.

Respectfully submitted,

WorldCom, Inc., MFS Intelnet of Tennessee, Inc. and WorldCom Technologies, Inc.

By:

H. LaDon Baltimore

Farrar & Bates, L.L.P.

211 Seventh Avenue North, Suite 320

Nashville, TN 37219-1823 Phone: (615) 254-3060 Facsimile: (615) 25409835

Their attorney

Verification

The undersigned certifies that the information contained in the foregoing petition is true to the best of his knowledge, information and belief.

H. LaDon Baltimore

STATE OF TENNESSEE COUNTY OF DAVIDSON

Sworn to and subscribed in my presence this the 2187 day of July, 1997.

Notary Public

My commission expires:

Certificate of Service

The undersigned hereby certifies that a true and correct copy of the foregoing Response has been forwarded via U. S. Mail, first class postage prepaid, to the following, this ______ day of July, 1997.

H. LaDon Baltimore

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Kenneth Bryant, Esq. 2500 Nashville City Center 611 Union Street Nashville, TN 37219

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C. Steve Parrott United Telephone - SE 14111 Capital Blvd. Wake Forest, NC 27587

Rodney Hyatt, Esq. DeltaCom, Inc. PO Box 1233 Arab, AL 35016

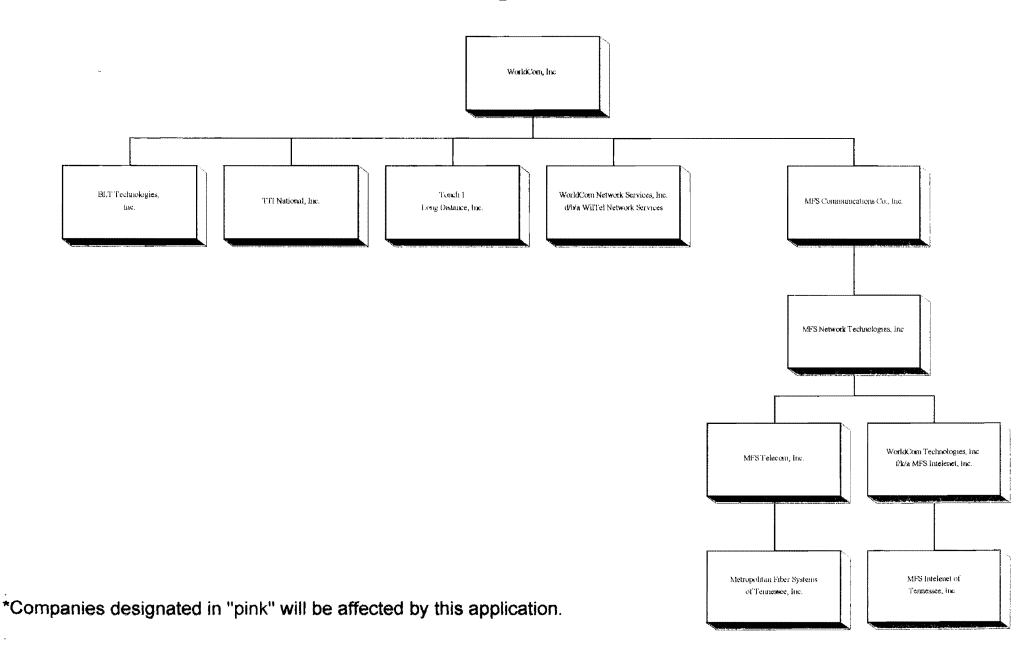
Charles Welch, Esq. Farris, Mathews, et al. 5100 Union Street, Suite 2400 Nashville, TN 37219 Dorris Cannon Millington Telephone Co. 4880 Navy Road Millington, TN 38053

Herb Bivens United Telephone Co. PO Box 38 Chapel Hill, TN 37034

Rodney Hyatt, Esq. DeltaCom, Inc. PO Box 1233 Arab, AL 35016



Tennessee Corporate Structure Pre-Reorganization



ATTACHMENT B

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Secretary of State Corporations Section ages K. Polk Beliding, Suite 1800 Nashville, Tennessee 37243-0306

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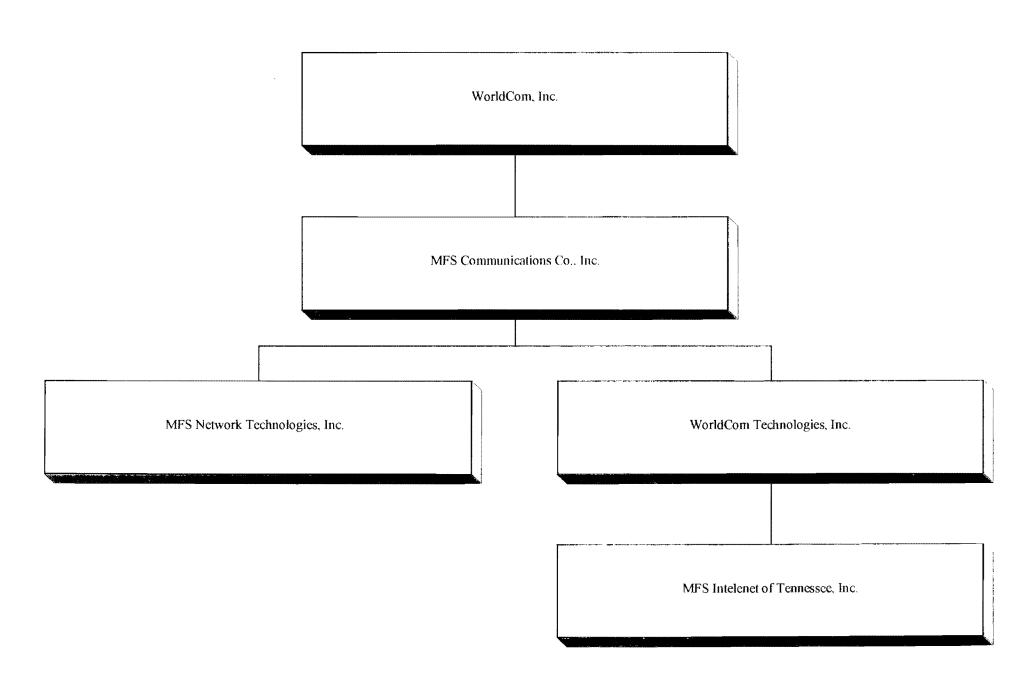
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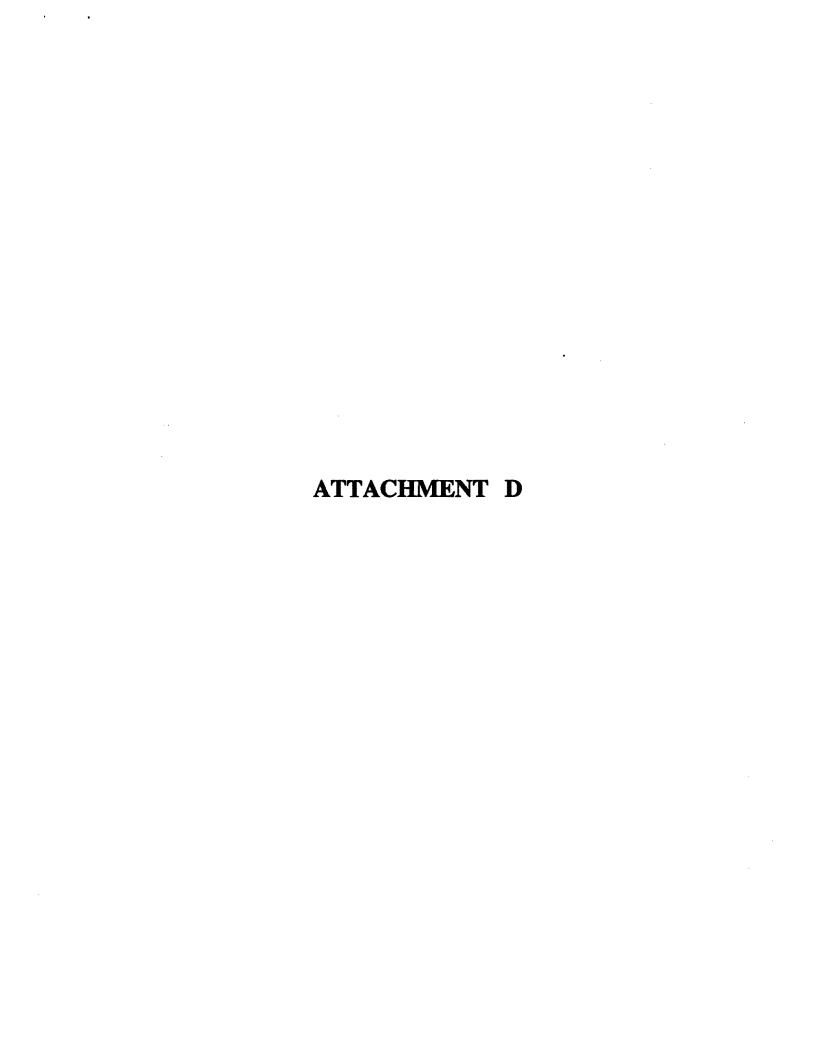
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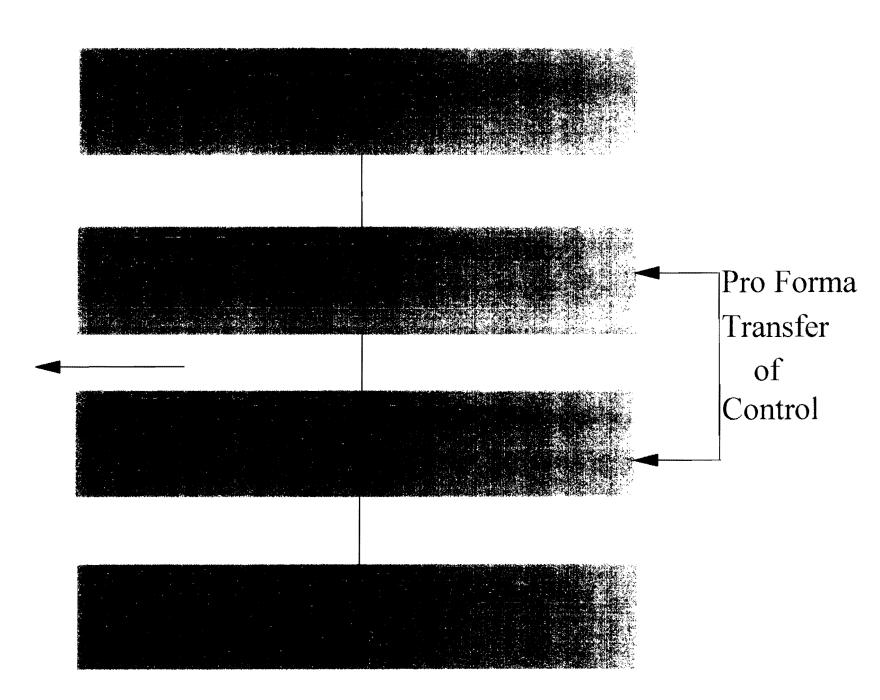
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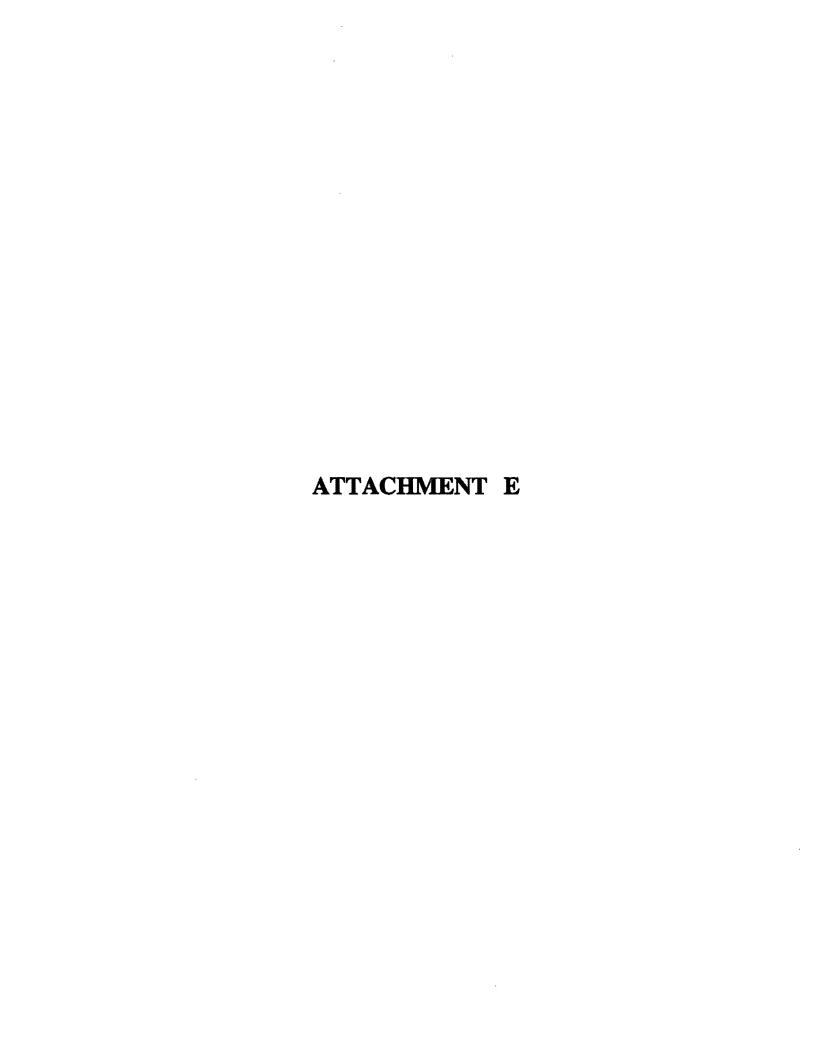




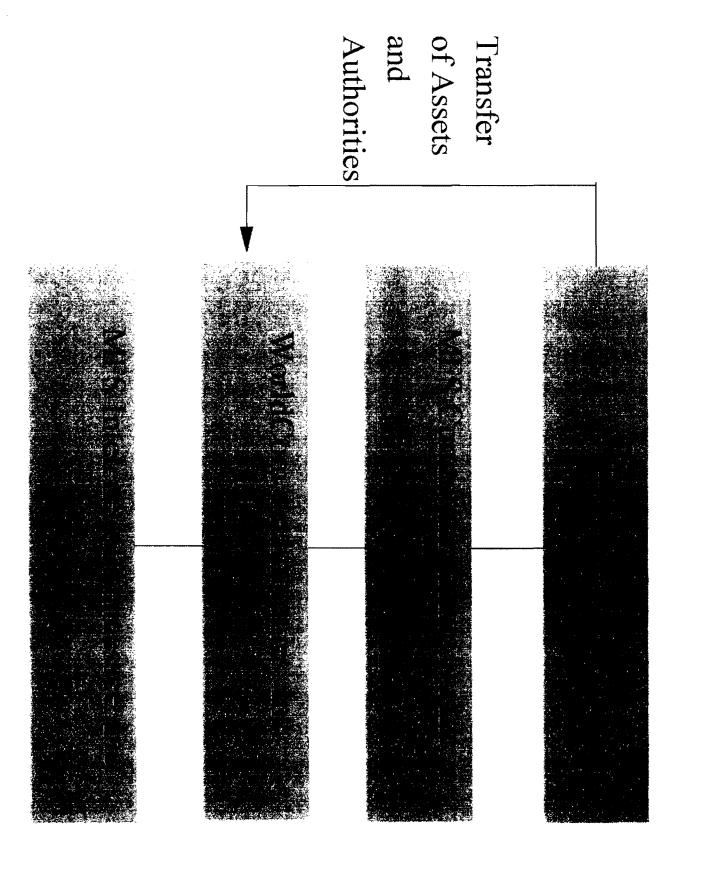
ASPECT I

MFS Network
Technologies, Inc.
REMOVED
(See Attachment B)





ASPECT II



ATTACHMENT F

ASPECT III

MFS Communications Co., Inc. WorldCom, Inc.

WorldCom Technologies, Inc.

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Merger

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Tennessee Corporate Structure Post Reorganization

