KELLEY DRYE & WARREN
A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS
1200 19TH STREET, N.W.
WASHINGTON, D. C. 20036
(202) 955-9600
FAX (202) 955-9792

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PARSIPPANY, N.J.
BRUSSELS, BELGIUM
TOKYO, JAPAN

April 22, 1996

Ms. Blanca Bayo
Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0864

960521-TI

Re: Application of TTI National, Inc. and Target Telecom, Inc.

Dear Ms. Bayo:

Enclosed for filing with the Florida Public Service Commission please find an original and 12 copies of the application of Target Telecom, Inc. ("Target") and TTI National, Inc. ("TTI"), a wholly-owned subsidiary of LDDS WorldCom, for authority to transfer Target's Certificate of Public Convenience and Necessity to TTI. Enclosed please also find a check in the amount of $250.00 for the filing fee, a diskette, a duplicate of this filing and a self-addressed stamped envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided.

Please do not hesitate to contact me at (202) 955-9883 if you have any questions.

Very truly yours,

Marieann Zochowski

Marieann K. Zochowski

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

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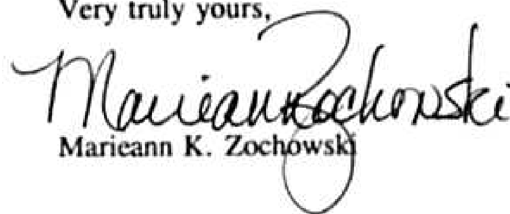

Marieann K. Zochowski

DC01/ZOCHM/23125.41

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FPSC-RECORDS/REPORTING

ORIGINAL

Before the
STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

Application for Approval of	)	
Transfer of Certificate of	)	
Public Convenience and Necessity	)	Docket No.
from TARGET TELECOM, INC. to	)	
TTI NATIONAL, INC.	)	

APPLICATION

Target Telecom, Inc. ("Target"), TTI National, Inc. ("TTI") and WorldCom, Inc. d/b/a LDDS WorldCom ("WorldCom") (referred to collectively herein as the "Applicants"), by their attorneys, hereby respectfully request authority from the Florida Public Service Commission ("Commission") pursuant to Fla. Stat. Ann. § 364.345 to transfer Target's Certificate of Public Convenience and Necessity to TTI. In support of this Application, the Applicants provide the following information:

I. The Applicants

Target is a privately-held New Jersey corporation that is headquartered at 158 Willowbrook Boulevard, Wayne, New Jersey 07470. Target operates as a reseller of interexchange services in 40 states, including Florida[1] and provides interstate and international telecommunications services pursuant to authority granted by the Federal Communications Commission ("FCC").

---

[1] Target received its Certificate of Public Convenience and Necessity on April 15, 1993, in Docket No. 930065-TI, Order No. PSC-93-0438-FOF-TI, Certificate No. 3159.

DOCUMENT NUMBER-DATE
04642 APR 23 96
FPSC-RECORDS/REPORTING

WorldCom is a publicly-held Georgia corporation whose principal offices are located at 515 East Amite Street, Jackson, Mississippi 39201. WorldCom is a nondominant worldwide telecommunications company that provides a full array of domestic and international voice and data communications services to business and residential customers. WorldCom operates as a facilities-based and non-facilities-based interexchange carrier ("IXC") that provides service directly and indirectly through its subsidiaries in 48 states, including Florida.[2]

TTI is a corporation formed specifically for the purpose of facilitating the acquisition of Target's assets by WorldCom. TTI is incorporated under the laws of the state of Delaware and is wholly-owned by WorldCom. A copy of TTI's Articles of Incorporation is attached hereto as Exhibit A. TTI is in the process of becoming authorized to transact business in Florida as a foreign corporation. A copy of TTI's qualifying document will be forwarded to the Commission as soon as it is available upon request.

II. Designated Contacts

The designated contacts for questions concerning this application are:

Brad E. Mutschelknaus
Marieann K. Zochowski
KELLEY DRYE & WARREN
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600

[2] WorldCom holds Certificate of Public Convenience and Necessity Number 1528.

Copies of any correspondence should also be sent to the following designated representatives of the Applicants:

For Target:	For TTI and WorldCom:
W. Theodore Pierson PIERSON, BURNETT & HANLEY, LLP 1667 K Street, N.W. Suite 801 Washington, D.C. 20006	Leigh Ann Cox Supervisor, Tariffs and Administration WORLDCOM, INC. 515 East Amite Street Jackson, Mississippi 39201

III. Description of Transfer of Assets from Target to WorldCom

On March 7, 1996, Target and WorldCom signed an Asset Purchase Agreement ("Asset Agreement") pursuant to which they agreed that WorldCom will acquire selected assets from Target by transferring such assets to TTI.[3] The assets to be acquired include: (1) customer accounts, including all subscription agreements, contracts, arrangements and other understandings between Target and its customers; (2) all lists relating to the assets or the business including lists of existing, potential or prior customers and existing, potential or prior vendors; (3) accounts receivable; (4) and all books, records, files, promotional materials and other documents relating to the business.[4]

The transfer of assets will be made in a seamless fashion that will not adversely affect the provision of telecommunications services in Florida. Customers will be able to purchase

---

[3] Because the Asset Agreement contains highly confidential information, it is not being provided as an attachment to this Application. The Asset Agreement will be provided to the Commission upon request.

[4] It is the understanding of the Applicants that prior Commission approval is not required for the transfer of assets. If this understanding is incorrect, the Applicants respectfully request that the Commission treat this as an Application for approval of the transfer of assets.

the same high quality services from TTI that they currently purchase from Target. In addition, TTI will file a tariff that duplicates the service offerings, rates, terms and conditions as currently filed in Target's tariff.[5] Thus, Target's former customers will continue to receive the same services that they presently receive at the same rate levels.

IV. Request for Transfer of Certificate of Public Convenience and Necessity to TTI

In order to provide uninterrupted service to Target's existing customers, the Applicants respectfully request that Target's existing Certificate of Public Convenience and Necessity be transferred to TTI.[6] This will permit TTI to commence providing telecommunications services to Target's customers immediately upon closing of the transaction and avoid any disruption in service. All of Target's customers will be sent appropriate and timely notice of the transaction.

TTI intends to operate exclusively as a reseller of interLATA and intraLATA interexchange services. TTI will provide a full range of "1+" interexchange services, including MTS, WATS, 800 and calling card services. As stated previously, TTI's tariff will duplicate the service offerings, rates, terms and conditions currently offered by Target. Thus, Target's former customers will be able to purchase from TTI the same services under the same rates, terms and conditions that they currently purchase from Target.

---

[5] In addition, TTI's proposed tariff will be updated to reflect any pending or future revisions filed by Target prior to the transfer.

[6] If the Commission determines that a transfer of Target's existing Certificate of Public Convenience and Necessity is not appropriate, the Applicants respectfully request that the Commission treat this Application as a request for new authority for TTI.

TTI is well qualified to provide telecommunications services to Target's customers. TTI's parent company, WorldCom, is currently the nation's fourth largest IXC. WorldCom and its subsidiaries currently provide a full array of telecommunications services over their own nationwide state-of-the-art fiber optic transmission network. Moreover, WorldCom is financially strong. WorldCom reported annual revenue of $3.64 billion and net income of $234.47 million in 1995.[7]

As a wholly-owned subsidiary of WorldCom, TTI will have access to the technical, managerial and financial resources of WorldCom, and will be able to provide its customers with high quality, reliable telecommunications services. In addition, TTI will be managed by a team of well qualified WorldCom personnel who have extensive experience in the telecommunications industry.

V. *Public Interest Analysis*

Approval of the transfers described herein is in the public interest because it will enable WorldCom to continue to expand operations, thereby offering new and improved services to customers in Florida. From the perspective of affected customers, the transfer will be largely transparent, leaving the quality of service that they expect unaltered. The transaction ultimately will enable WorldCom and TTI to better serve existing and future customers, and will enhance competition in the telecommunications market in Florida.

---

[7] A copy of WorldCom's 1995 SEC Form 10-K is appended hereto as Exhibit B.

WHEREFORE, Target, TTI and WorldCom respectfully request that the Commission approve the transfer of Target's assets and Certificate of Public Convenience and Necessity to TTI.

Respectfully submitted,

WORLDCOM, INC.,
TARGET TELECOM, INC. and
TTI NATIONAL, INC.

By: [signature]

Brad E. Mutschelknaus
Marieann K. Zochowski
KELLEY DRYE & WARREN
1200 19th Street, N.W.
Suite 500
Washington, D.C. 20036
(202) 955-9600

Their Attorneys

DATED: April 22, 1996

VERIFICATION

I am authorized to represent Target Telecom, Inc. and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are herein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

BY:

NAME: Jonathan Kaufman

TITLE: President

DATE: 3/25/96

Sworn and subscribed to
before me this 29th
day of March, 1996.

Notary Public

ROSALIE BIFANO

My Commission expires: 5/3/98

VERIFICATION

I am authorized to represent WorldCom, Inc. d/b/a LDDS WorldCom (formerly LDDS Communications, Inc.) and to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are herein stated on information and belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

BY:

NAME: Charles T. Cannada

TITLE: Senior Vice President

DATE: March 29, 1996

Sworn and subscribed to
before me this 29th
day of March, 1996.

Notary Public

My Commission expires: November 28, 1997

EXHIBIT A

State of Delaware

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "TTI NATIONAL, INC.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF MARCH, A.D. 1996, AT 9 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS FOR RECORDING.

Edward J. Freel, Secretary of State

2604473 8100

960082153

AUTHENTICATION: 7876872

DATE: 03-21-96

RETARY OF STATE
ION OF CORPORATIONS
09:00 AM 03/21/1996
0082153 - 2604473

CERTIFICATE OF INCORPORATION

OF

TTI NATIONAL, INC.

FIRST: The name of the Corporation is TTI NATIONAL, INC.

SECOND: Its registered office in the State of Delaware is to be located a 9 East Loockerman St., Dover, Delaware 19901 and its Registered Agent is National Registered Agents, Inc.

THIRD: The nature of the business and the objects and purposes proposed to be transacted, promoted and carried on, are to engage in any lawful acts or activities for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of Common Stock which the Corporation shall have authority to issue is 1,000 shares, all of which shall be with a par value of one dollar ($1.00) per share.

FIFTH: The name and mailing address of the incorporator is:

Name	Mailing Address
Leon L. Nowalsky	3900 N. Causeway Blvd., Suite 1275 Metairie, Louisiana 70002

SIXTH: Upon the filing of the Certificate of Incorporation, the authority of the Incorporator shall terminate and the following named individuals, whose mailing addresses are set out beside their names, shall serve as directors until the first Annual Meeting of Stockholders or until their successors are elected and qualified:

Name	Mailing Address
Bernard J. Ebbers	515 East Amite Jackson, Mississippi 39201
Charles Cannada	515 East Amite Jackson, Mississippi 39201

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation and for defining and regulating the powers of the Corporation and its directors and stockholders:

1. The private property of the stockholders of the Corporation shall not be subject to the payment of corporate debts to any extent whatsoever.

2. The first meeting of the stockholders for the election of directors shall be held in Jackson, Mississippi, at the office of the Corporation, on March 21, 1996, or at such other time and place as may be designated by the Board of Directors, and thereafter the directors shall be elected at the time and place named in the By-Laws of the Corporation.

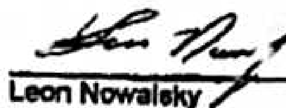
3. Written ballots shall not be required for the election of directors of the Corporation.

4. The Board of Directors shall have the power to make, alter or repeal By-Laws of the Corporation.

5. The By-Laws of the Corporation may fix or provide the manner of fixing and altering the number of directors constituting the Board of Directors, provided that such number shall not be less than two.

6. To the fullest extent permitted by the General Corporation Law of the State of Delaware, as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of such director's fiduciary duty as a director.

IN WITNESS WHEREOF, I, the undersigned, being the Incorporator of the Corporation hereinbefore named, do certify that the facts herein stated are true, that the execution of this instrument is my act and deed, and that I accordingly have hereunto set my hand this 21st day of March, 1996.



Leon Nowalsky

EXHIBIT B

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[✓] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 1995
OR
[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ____________ to ______________

Commission File Number 0-11258

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.)
515 East Amite Street, Jackson, Mississippi (Address of principal executive offices)	39201-2702 (Zip Code)

Registrant's telephone number, including area code: (601) 360-8600

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

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

Common Stock, $.01 Par Value

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 __

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 15, 1996 was:
Common Stock, $.01 par value: $ 7,675,991,323
Series 2 6.50% Cumulative Senior Perpetual Convertible Preferred Stock: $89,450,306

There were 194,043,449 shares of the registrant's Common Stock outstanding as of March 15, 1996.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes ✓ No __

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement of the registrant for the registrant's 1996 Annual Meeting of Shareholders, which definitive proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year end of December 31, 1995, are incorporated by reference into Part III.

GLOSSARY

Access charges -- Expenses incurred by an IXC and paid to LECs for accessing the local networks of the LECs in order to originate and terminate long distance calls and provide the customer connection for private line services.

AT&T -- AT&T Communications, Inc. -- An IXC wholly owned by American Telephone and Telegraph Company which provides interexchange services and facilities on a nationwide and international basis.

AT&T Divestiture Decree -- Entered on August 24, 1982, by the United States District Court for the District of Columbia. The AT&T Divestiture Decree, among other things, ordered AT&T to divest its wholly owned BOCs from its Long Lines Division and manufacturing operations and generally prohibited BOCs from providing long distance telephone service between LATAs.

BOC -- Bell System Operating Company -- A local exchange carrier owned by any of the seven Regional Bell Operating Companies, which are holding companies established following the AT&T Divestiture Decree to serve as parent companies for the BOCs.

Equal access -- Connection provided by a LEC permitting a customer to be automatically connected to the IXC of the customer's choice when the customer dials "1".

FCC -- Federal Communications Commission.

Inbound "800" service -- A service that assesses long distance telephone charges to the called party.

IXC -- Interexchange carrier -- A long distance carrier providing services between local exchanges.

LATAs -- Local Access and Transport Areas -- The approximately 200 geographic areas defined pursuant to the AT&T Divestiture Decree between which the BOCs are generally prohibited from providing long distance service.

LEC -- Local exchange carrier -- A company providing local telephone services. Each BOC is a LEC.

Line costs -- Primarily includes the sum of access charges and transport charges.

Local exchange -- A geographic area generally determined by a PUC, in which calls generally are transmitted without toll charges to the calling or called party.

MCI -- MCI Telecommunications Corporation -- An IXC which provides interexchange services and facilities on a nationwide and international basis.

Network switching center -- A location where installed switching equipment routes long distance calls and records information with respect to calls such as the length of the call and the telephone numbers of the calling and called parties.

OSP -- Operator Service Provider -- Any common carrier or other person providing any automatic or live assistance to a consumer to arrange for billing or completion, or both, of a telephone call initiated from an aggregator location, other than by means of automatic completion of the call with billing to the originating telephone or completion through an access code used by the consumer with billing to a previously established account.

PTT - Post Telephone and Telegraph Administration -- The PTTs, usually controlled by their governments, provide telephone and telecommunications services in most foreign countries.

PUC -- Public Utility Commission -- A state regulatory body empowered to establish and enforce rules and regulations governing public utility companies and others, such as the Company in many of its state jurisdictions (sometimes referred to as Public Service Commissions, or PSCs).

RBOC -- Regional Bell Operating Company -- Any of seven regional Bell holding companies which the AT&T Divestiture Decree established to serve as parent companies for the BOCs.

Sprint -- Sprint Corporation - An IXC which provides interexchange services and facilities on a nationwide and international basis.

Subscribers -- Commercial and residential customers for which an IXC provides direct dial long distance telephone service. For operator assisted long distance telephone service, "Subscribers" refers to owners of pay telephones, owners of premises on which pay telephones are located, and multi-telephone facilities such as hotels and hospitals with which an OSP contracts to process and transmit operator assisted long distance telephone calls.

Tariff -- The schedule of rates and regulations set by communications common carriers and filed with the appropriate federal and state regulatory agencies; the published official list of charges, terms and conditions governing provision of a specific communications service or facility, which functions in lieu of a contract between the Subscriber or user and the supplier or carrier.

Transport Charges -- Expenses paid to facilities-based carriers for transmission between or within LATAs.

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PART I

ITEM 1. BUSINESS

General

WorldCom, Inc., a Georgia corporation which conducts business under the name "LDDS WorldCom" ("WorldCom" or the "Company"), is one of the four largest long distance telecommunications companies in the United States based on 1994 revenues. The Company provides long distance telecommunications services to business, consumer and other carrier customers, through its network of fiber optic cables, digital microwave, and fixed and transportable satellite earth stations, with service to points throughout the nation and the world. The products and services provided by WorldCom include: switched and dedicated long distance products, 800 services, calling cards, operator services, domestic and international private lines, broadband data services, debit cards, conference calling, advanced billing systems, enhanced faxed and data connections, television and radio transmission and mobile satellite communications.

WorldCom was organized in 1983. Its operations have grown as a result of management's emphasis on a four-point growth strategy, which includes internal growth, the selective acquisition of smaller long distance companies with limited geographic service areas and market shares, the consolidation of certain third tier long distance carriers with larger market shares, and international expansion. On September 15, 1993, a three-way merger occurred whereby (i) Metromedia Communications Corporation, a Delaware corporation ("MCC"), merged with and into Resurgens Communications Group, Inc., a Georgia corporation ("Resurgens"), and (ii) LDDS Communications, Inc., a Tennessee corporation ("LDDS-TN"), merged with and into Resurgens (the "Prior Mergers").

At the time of the Prior Mergers, the name of Resurgens, the legal survivor, was changed to LDDS Communications, Inc. and the separate corporate existences of LDDS-TN and MCC terminated. For accounting purposes, however, LDDS-TN was the survivor because the former shareholders of LDDS-TN acquired majority ownership of the Company. Accordingly, unless otherwise indicated, all historical information presented herein reflects the operations of LDDS-TN. At the annual meeting of shareholders held May 25, 1995, shareholders of LDDS Communications, Inc. voted to change the name of the Company to WorldCom, Inc., effective immediately. Information in this document has also been revised to reflect the stock splits of the Company's common stock. See Note 1 of Notes to Consolidated Financial Statements.

Business Combinations

The Company's emphasis on acquisitions has taken the Company from a small regional long distance carrier to one of the largest long distance telecommunications companies in the industry, serving customers domestically and internationally.

On January 5, 1995, WorldCom completed the acquisition of the network services operations of Williams Telecommunications Group, Inc. ("WilTel"), a subsidiary of The Williams Companies, Inc. ("Williams"), for approximately $2.5 billion in cash (the "WilTel Acquisition"). Through this purchase, the Company acquired a nationwide common carrier network of approximately 11,000 miles of fiber optic cable and digital microwave facilities. The funds paid to Williams were obtained by WorldCom under a new credit facility entered into on December 21, 1994. See Note 4 of Notes to Consolidated Financial Statements.

On December 30, 1994, WorldCom, through a wholly owned subsidiary, merged with IDB Communications Group, Inc., a Delaware corporation ("IDB"). IDB operates a domestic and international communications network providing private line and public switched long distance telecommunications services, facsimile and data connections, television and radio transmission services, and mobile satellite communications capabilities. As a result of this merger (the "IDB Merger"), each share of common stock of IDB was converted into the right to receive 0.476879 shares of WorldCom common stock (the "Common Stock") resulting in the issuance of approximately 35,881,000 shares of Common Stock. In addition, WorldCom assumed, on a subordinated basis, jointly and severally with IDB, the obligations of IDB to pay the principal of and interest on $195.5 million 5% convertible subordinated notes due 2003, issued by IDB. The IDB Merger was accounted for as a pooling-of-interests and accordingly, the WorldCom financial statements for the periods prior to the IDB Merger have been restated to include the results of IDB for all periods presented.

In 1993, upon effectiveness of the Prior Mergers, each share of the outstanding common stock of LDDS-TN was converted into the right to receive 0.9595 shares of Common Stock. The 500,000 shares of LDDS-TN Series B 6.5% Cumulative Senior Perpetual Convertible Preferred Stock outstanding were converted into 2,000,000 shares of WorldCom Series 2 6.5% Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $25 per share and a conversion price of $11.81171 per share (the "Series 2 Preferred Stock"). As a result of the consummation of the Prior Mergers, Metromedia Company ("Metromedia"), the sole stockholder of MCC, received 2,758,620 shares of the Common Stock, 10,896,785 shares of WorldCom Series 1 $2.25 Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $50 per share and a conversion price of $24.9046875 per share (the "Series 1 Preferred Stock"), warrants to purchase 5,000,400 shares of the Common Stock at an average price of $8.35 per share, and $150.0 million in cash. The common stock of Resurgens was unchanged in the Prior Mergers.

On August 23, 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of Common Stock and exercised warrants to acquire 3,106,976 shares of Common Stock and immediately sold its position of 30,849,548 shares of Common Stock in a public offering. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date). The Company did not receive any proceeds from the sale of the shares, but did receive approximately $33.7 million in proceeds from the exercise of the warrants, which were used to repay certain existing bank debt.

On December 4, 1992, LDDS-TN, through a wholly owned subsidiary, merged with Advanced Telecommunications Corporation ("ATC"). As a result of this merger (the "ATC Merger"), each share of common stock of ATC was converted into the right to receive 0.83 shares of common stock of LDDS-TN. The ATC Merger was accounted for under the pooling-of-interests method.

The following table sets forth certain data concerning the Company's acquisitions, during the past five years, of companies with annual revenues exceeding $50.0 million, other than the IDB Merger and the ATC Merger.

Name	Acquisition Date	Revenues for Fiscal Year Preceding Acquisition (In thousands)
MidAmerican Communications Corporation	July 1991	$ 75,924
AmeriCall and First Phone	February 1992	65,028
World Communications, Inc.	December 1992	90,602
Dial-Net, Inc. ("Dial-Net")	March 1993	69,328
Metromedia Communications Corporation	September 1993	368,532
Resurgens Communications Group, Inc.	September 1993	151,963
TRT Communications, Inc. ("TRT")	September 1993	175,057
Williams Telecommunications Group, Inc.	January 1995	921,813

In addition to the acquisitions reflected in the above table, WorldCom and its predecessors have completed other acquisitions involving companies each with annual revenues of less than $50.0 million.

Company Strategy

The Company follows a four-point growth strategy, consisting of internal growth, the selective acquisition of smaller long distance companies with limited geographic service areas and market shares, the consolidation of certain third tier long distance carriers with larger market shares, and international expansion.

A decentralized management system allows regional managers responsibility and authority for the development of area customers. Regional management directs resources toward attracting new accounts as well as expanding product usage by current customers.

A predominant share of the Company's total revenues is derived from commercial customers. Commercial customers typically use higher volumes of telecommunications services than residential customers and concentrate usage on weekdays during business hours when rates are highest. Consequently, commercial customers, on average, generate higher revenues per account than residential customers.

The Company has become a significant participant in the long distance wholesale market and intends to pursue opportunities, if any, for continued expansion in this area. While total revenues in the wholesale market are less than from commercial customers, expenses are generally reduced in servicing these customers as the result of fewer invoices, fewer customer service personnel and a smaller sales force.

The enactment of the Telecommunications Act of 1996 in early February has made it possible for WorldCom to participate in both the local and long distance markets. The Company has formed business associations to provide long distance telecommunications

services with certain LECs and the Company expects to pursue resale of local service in those markets where it is both economically and technically feasible.

In the first quarter of 1996, the Company signed agreements to provide long distance telecommunications services to GTE Long Distance, Ameritech Communications, Inc., and Southwestern Bell Mobile Systems, Inc. WorldCom also entered into an agreement to become a major provider of data telecommunications services for Electronic Data Systems Corporation ("EDS"), a global information services company.

Additionally, in response to the changing regulatory environment, WorldCom has filed applications with PUCs in several states to offer customers local telephone exchange services, an important capability that will serve as a complement to the Company's national and international service offerings. To date, WorldCom has received permission to provide local service on a resale basis in California, Connecticut, Florida, Illinois and Texas.

Services

General. The Company is one of the four largest United States based long distance telecommunications companies in the industry, based on revenues, and serves its customers domestically and internationally. The products and services provided by the Company include switched and dedicated long distance products, 800 services, calling cards, operator services, domestic and international private lines, broadband data services, debit cards, conference calling, advanced billing systems, enhanced faxed and data connections, television and radio transmission, and mobile satellite communications.

Domestic Long Distance. There are several ways in which a customer can access the Company's network. In areas where equal access has been made available, a customer who has selected the Company as its IXC can utilize the Company's network for interLATA long distance calls through "one plus" dialing of the desired call destination. Equal access customers can access the Company's network for interLATA long distance calls and for intraLATA calls where intraLATA competition has been allowed.

Customers in areas without equal access or customers in equal access areas who do not select the Company as their IXC can utilize the Company's network for all their long distance calls through three methods of "dial-up access." They can dial a local telephone number to access the Company's computerized switching equipment and then enter a personal authorization code and the area code and telephone number of the desired call destination. Customers may also access the Company's network by dialing 10 plus the three digit Carrier Identification Number belonging to the Company and the area code and telephone number of the desired call location. High-volume customers can access the WorldCom network through the use of high-capacity dedicated circuits.

Customer billing is generated internally and through a facilities management agreement under which EDS performs significant data processing functions. See Note 6 of Notes to Consolidated Financial Statements.

International Long Distance. The Company offers international private line and public switched long distance telecommunications services to government, commercial and carrier organizations worldwide. The Company has over 200 switched voice and private line operating agreements in foreign countries, thereby making the Company a leading participant in the international telecommunications market.

Through these operating agreements, international long distance traffic is both delivered and received. Under these agreements, foreign carriers are obligated to adhere to the policy of the FCC whereby traffic from the foreign country is routed to international carriers of which the Company is one, in the same proportion as traffic carried into the foreign country.

The Company provides permanent and temporary domestic and international private line services to customers for a number of applications. These applications generally involve establishing private, international point-to-point communications links for customers who need special services, such as heavy data and voice usage, lower cost, and greater security. The Company has private line operating agreements with 160 foreign countries and is the carrier for many of the world's most critical communications links, including the Washington-Moscow hotline and launch control circuits for the NASA Space Program. The Company also provides international private line services for a range of financial, airline, commercial and governmental communications networks.

The Company also offers public switched international telecommunications services worldwide and provides direct services to approximately 60 foreign countries. The Company sells telecommunications services to both corporate customers and to domestic long distance carriers that lack transmission facilities to locations served by the Company or need more transmission capacity. Accessing the Company's international switching center via permanent domestic connections or via dial-up access code, customers can make international telephone calls.

Such operations are subject to certain risks such as changes in foreign government regulations and telecommunications standards, licensing requirements, tariffs or taxes, and other trade barriers and political and economic instability. In addition, the Company's revenues and costs of sales are sensitive to changes in international settlement rates.

Other Services. WorldCom provides its billing and collection and operator services to other IXCs. Due to the time and expense associated with the negotiation of billing and collection agreements, many IXCs choose not to establish operator services or to obtain billing and collection agreements. Using WorldCom's operator services enables IXCs to retain revenues by carrying operator assisted traffic over their own networks.

In addition, the Company offers a broad range of related services which enhance customer convenience, add value and provide additional revenue sources. Advanced "800" service offers features for caller and customer convenience, including a variety of call routing and call blocking options, customer reconfiguration, termination overflow to switched or dedicated lines. Dialed Number Identification Service (DNIS), real-time Automatic Number Identification (ANI), and flexible after-hours call handling services. The Company's travel cards offer worldwide calling services, caller-friendly voice mail with message waiting signal, message storage and delivery, conference calling, personal greetings, speed dialing, customer deactivation and reactivation of cards, customer card, and private-label card options. The Company is also a market leader for the prepaid calling card which allows a purchaser to pay in advance for a specific number of long distance minutes. The prepaid calling card is successful in the collectors market and continues to be a growing source of revenues for the Company.

The Company outsources the management of its broadcast operations, which provides radio and television broadcast transmission services for major network, cable, syndication, pay-per-view, sports and special event programmers.

The Company also designs, installs, and integrates "turnkey" transmission facilities and communications networks primarily for international customers. Services provided include fixed customer premise earth stations, network management systems, system integration consulting and project management.

Transmission Facilities

Domestically, the Company owns one of four nationwide fiber optic networks in the country, consisting of more than 15,000 miles of fiber optic cable and microwave equipment with access to over 50,000 miles of additional fiber optic network through lease agreements with other carriers. In January 1995, the Company acquired the majority of this network through the purchase of WilTel, which owned a network of approximately 11,000 miles of fiber optic cable and digital microwave facilities with access to approximately 30,000 miles of additional fiber optic network through lease agreements with other carriers.

Internationally, the Company owns fiber optic facilities on most major international cable systems in the Pacific and Atlantic Ocean regions, providing fiber optic cable connections between the United States and the Pacific Rim and the United States and Europe. WorldCom also owns fiber optic cable for services to the Commonwealth of Independent States, Latin America and South America.

Additionally, the Company owns 22 international gateway earth stations and approximately 50 domestic earth stations, which enable WorldCom to provide radio, television, private line and public switched telecommunications services to and from locations throughout the world. WorldCom also owns fixed earth stations located in 33 metropolitan areas, including seven international gateway earth stations in San Francisco and Washington D.C., which serve as central collection points for domestic traffic and connect the network with international satellites.

The Company's ability to generate profits is largely dependent upon its ability to optimize the different types of transmission facilities used to process and complete calls. These facilities are complemented by a least cost routing plan which is accomplished through digital switching technology and network routing software. Calls can be routed over fixed cost transmission facilities or variable cost transmission facilities. Fixed cost facilities, including the Company's owned networks are typically most cost effective for routes that carry high volumes of traffic. The Company's expansion has been to contiguous geographic areas which has enabled the Company to concentrate a significant portion of its traffic over fixed cost transmission facilities and thereby achieve an overall lower network cost. In addition, a variety of lease agreements for fixed and variable cost (usage sensitive) services ensure diversity in processing calls.

Network Switching

The Company owns or leases computerized network switching equipment that routes its customers' long distance calls. The Company presently maintains approximately 50 digital switching centers. The Company's digital switching equipment is interconnected with digital transmission lines. The Company's entire switching network utilizes SS7 common channel signaling, which increases efficiencies by eliminating connect time delays and provides "look ahead" routing. In addition to networking, the

Company's switching equipment verifies customers' pre-assigned authorization codes, records billing data and monitors system quality and performance.

In addition to the switching centers, the Company has a number of other network facility locations which are known as points of presence. These points of presence allow the Company to concentrate customers' traffic at locations where the Company has not installed switching equipment. The traffic is carried to switching centers over the Company's digital transmission network.

Rates and Charges

Long Distance. The Company charges customers on the basis of minutes or partial minutes of usage at rates that vary with the distance, duration and time of day of the call. The rates charged are not affected by the particular transmission facilities selected by the Company's network switching centers for transmission of the call. Additional discounts are available to customers who generate higher volumes of monthly usage.

Domestic business services are billed in six-second increments; others are billed in partial minutes rounded to the next minute. Long distance services are billed in arrears, with monthly billing statements itemizing date, time, duration and charges; private line services are billed monthly in advance, with the invoice indicating the number of circuits and applicable rates.

The Company's rates are generally designed to be competitive with those charged by other long distance carriers. The rates offered by the Company may be adjusted in the future if other IXCs continue to adjust their rates.

Operator Assisted Long Distance. The Company has billing and collection services agreements with each of the RBOCs and BOCs, as well as all major independent telephone companies, under which these companies bill the callers for operator assisted telephone calls processed and transmitted by the Company. Since January 1990, the Company has maintained access through a third party to the billing validation data bases of credit card issuers, the RBOCs and certain LECs. These data bases enable the Company to verify the validity of charge cards used by callers to pay for operator assisted long distance telephone calls. Validation reduces the Company's unbillable and uncollectible call expense because the operator can verify the validity of credit card numbers and collect or third party billing instructions before transmitting the call, which saves network expenses.

Marketing and Sales

WorldCom markets its long distance services primarily through a direct sales force of approximately 1,600 employees worldwide which are targeted at specific geographic markets. WorldCom markets its operator assisted services through telemarketing and trade shows. WorldCom's sales force also provides advanced sales specialization for the data and international marketplaces, including domestic and international private line services.

In each of its geographic markets, the Company employs full service support teams that provide its customers with prompt and personal attention. A customer service representative is assigned to each customer account whose monthly business exceeds $1,000. With offices nationwide, WorldCom's localized management, sales and customer support are designed to engender a high degree of customer loyalty and service quality.

Competition

The Company faces intense competition in providing both domestic and international long distance telecommunications services. Domestically, WorldCom competes for interLATA and intraLATA services with AT&T, MCI, Sprint, the LECs, and other national and regional IXCs, where permissible; and with respect to operator service, with AT&T and other operator service providers. Internationally, the Company competes for services with other IXCs, including AT&T, MCI, and Sprint. Certain of these companies have substantially greater market share and financial resources than WorldCom, and some of them are the source of communications capacity used by WorldCom to provide its own services.

For most of the Company's communications services, the factors critical to a customer's choice of a service provider are cost, ease of use, speed of installation, quality, reputation and, in some cases, geography, and network size. WorldCom's objective is to be one of the most responsive service providers, particularly when providing customized communications services. WorldCom's array of communications facilities and international relationships, together with its engineering and operations capability, provide WorldCom with considerable flexibility in tailoring cost-effective communications services to meet its customers' requirements. This network allows WorldCom to implement complex permanent and temporary communications circuits to and from virtually any location in the world. WorldCom relies on its decentralized management structure and the local orientation of its operations and personnel to distinguish itself from larger, less personalized operations. In addition, WorldCom's understanding of international telecommunications technical and regulatory issues has often allowed WorldCom to provide prompt solutions to the diverse

communications needs of multinational corporations, government entities and other organizations. No assurance can be given, however, that the Company's strategies will be successful.

WorldCom expects to encounter continued competition from major domestic and international communications companies, including AT&T, MCI, and Sprint. In addition, the Company may be subject to additional competition due to the enactment of the Telecommunications Act of 1996, the development of new technologies and increased availability of domestic and international transmission capacity. The telecommunications industry is in a period of rapid technological evolution, marked by the introduction of new product and service offerings and increasing satellite and fiber optic transmission capacity for services similar to those provided by the Company. The Company cannot predict which of the many possible future product and service offerings will be important to maintain its competitive position or what expenditures will be required to develop and provide such products and services.

Regulation

The Company operates in a highly regulated industry. The FCC regulates international communications services and interstate telephone service, and certain states, through the appropriate regulatory agency, regulate intrastate telephone service. In addition, the Company is subject to regulation in various foreign countries in connection with certain overseas business activities.

The regulation of the telecommunications industry is changing rapidly and the regulatory environment varies substantially from state to state. There can be no assurance that future regulatory changes will not have a material adverse impact on WorldCom. Recent developments include, without limitation, enactment of legislation that modifies the AT&T Divestiture Decree restrictions on the provision of long distance services by the BOCs between LATAs as defined in the AT&T Divestiture Decree, FCC and PUC action changing access rates charged by LECs and making other related changes to access and interconnection policies, certain of which could have adverse consequences for the Company; related FCC and state regulatory proceedings considering additional deregulation of LEC access pricing; a pending FCC rulemaking on "billed party preference" that could affect WorldCom's provision of operator services; and various legislative and regulatory proceedings that would result in new local exchange competition.

On February 8, 1996, President Clinton signed legislation, that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry. However, the Company believes that it is positioned to pursue business opportunities in the rapidly changing telecommunications market.

FCC Regulation. As a non-dominant IXC, the Company is not required to obtain a certificate of public convenience and necessity from the FCC for its domestic interexchange services. The FCC retains general regulatory jurisdiction over the sale of interstate telecommunications services by IXCs, including the requirement that calls be charged on a nondiscriminatory, just and reasonable basis.

Transmissions from earth stations to all satellites, transmissions from microwave and other transmitters, reception from international satellites, and transmission of international traffic by any means, including operator assisted long distance service, satellite, and undersea cable, must be pursuant to license or other authorizations issued by the FCC. The Company, or an affiliate of the Company, has operating authority or has made other arrangements to transmit and/or receive signals from all locations where it currently offers satellite transmission and/or reception service.

Although the Company has never had a license application denied by the FCC, there can be no assurance that it will receive all authorizations or licenses necessary for new communications services or that delays in the licensing process will not adversely affect the Company's business. Domestic radio licenses issued by the FCC are for limited periods not to exceed 10 years. The Company must seek renewal of such licenses prior to their expiration. The Company knows of no facts that would result in the denial of any such renewals. WorldCom monitors compliance with federal, state and local regulations governing the discharge and disposal of hazardous and environmentally sensitive materials, including the emission of electromagnetic radiation. WorldCom believes that it is in compliance with such regulations. However, there can be no assurance that any such discharge, disposal or emission might not expose WorldCom to claims or actions that could have a material adverse effect on the Company's consolidated results of operations or financial position.

In conjunction with its approval of the transfer of control of IDB to the Company, the FCC indicated that a protest filed by Comsat Corporation raised sufficient question that there might have been a prior unauthorized transfer of control of IDB Mobile Communications, Inc. ("IDB Mobile"), an affiliate of IDB, to Teleglobe Inc., a Canadian corporation ("Teleglobe"), for it to initiate

an investigation into IDB and Teleglobe's ownership and control of IDB Mobile. The Company is cooperating with the investigation. Although the Company cannot predict the outcome of the investigation, it believes that it will not result in a material adverse effect upon the Company's consolidated results of operations or financial position.

In October 1988, Judge Harold Greene, who oversees compliance with the AT&T Divestiture Decree ordered the RBOCs to provide for equal access to the BOC owned pay telephone long distance markets. The opinion accompanying the federal court order mandating presubscription of public pay telephones envisions that presubscription will be an interim measure pending perfection of a technical system permitting all "0 plus" calls from public payphones to be automatically routed to the billed party's presubscribed OSP. If implemented, "billed party preference" could route some previously presubscribed public traffic away from the Company. However, the technical and economic barriers to implementation of a "billed party preference" system are such that the RBOCs have been unable and unwilling to effect its implementation to date. A rulemaking proceeding is currently being conducted by the FCC on "billed party preference" to determine whether such a system will be required or if appropriate alternatives to "billed party preference" exist. The Company cannot predict the outcome of this proceeding. The Company is unaware of any other regulatory proceedings related to operator services that could have a material adverse effect upon its consolidated results of operations or financial position.

Alien Ownership. The Communications Act of 1934, as amended (the "Communications Act") prohibits any entity in which more than 20% of the capital stock is owned of record or voted by noncitizens or a foreign government or its representative, or which has any officer or director who is not a U.S. citizen, from receiving or holding a common carrier radio transmission license (including microwave). The Communications Act also prohibits subsidiaries of any entity of which more than 25% of the capital stock is owned by noncitizens, or where more than one-fourth of the directors or any officers are noncitizens, from receiving or holding common carrier radio transmission licenses (including microwave), if the FCC finds that the public interest would be served by the refusal or revocation of the licenses under those circumstances. The Company's charter restricts aggregate beneficial ownership of the Common Stock by certain foreign shareholders to 20% of the total outstanding stock, and subjects excess shares to redemption.

In November 1995, the FCC adopted new rules regarding foreign ownership of U.S. international common carrier service providers. The FCC will examine whether "effective competitive opportunities" ("ECO") exist for U.S. carriers in the destination markets of foreign carriers with market power seeking to enter the U.S. international services market through an "affiliation" with a U.S. facilities-based carrier. The FCC defined "affiliation" as an ownership interest of 25% or more, or a controlling interest. The FCC also reserved the right to review foreign carrier investment below the 25% threshold where such investment presents a significant potential impact on competition in the U.S. market for international services. WorldCom is not aware of any foreign carrier investment in the Company that would require FCC review under the ECO test.

State Regulation. The Company's intrastate long distance telecommunications operations are subject to various state laws and regulations including, in many jurisdictions, certification requirements. Generally, the Company must obtain and maintain certificates of public convenience and necessity from regulatory authorities in most states in which it offers intrastate long distance services. In most of these jurisdictions the Company must also file and obtain prior regulatory approval of tariffs for its intrastate offerings. The Company currently provides intrastate services in each of the 48 contiguous states.

Risk Factors

An investment in the Common Stock involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with the other information contained in this Form 10-K, in evaluating the Company and its business before purchasing shares of Common Stock. In particular, prospective investors should note that this Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and that actual results could differ materially from those contemplated by such statements. The factors listed below represent certain important factors the Company believes could cause such results to differ. These factors are not intended to represent a complete list of the general or specific risks that may affect the Company. It should be recognized that other risks may be significant, presently or in the future, and the risks set forth below may affect the Company to a greater extent than indicated.

Risks of Increased Financial Leverage; Debt Service, Interest Rate Fluctuations, Possible Reduction in Liquidity, Dividend Restrictions and Other Restrictive Covenants. As a result of the WilTel Acquisition and the financing thereof, the Company has a significantly higher degree of leverage than previously existed. At December 31, 1995, the Company reported $3.39 billion of long-term debt (including capital leases and current maturities) and a long-term debt to equity ratio of 1.55 to 1.

Borrowings under the Company's credit facilities bear interest at rates that fluctuate with prevailing short-term interest rates. Increases in interest rates, economic downturns and other adverse developments, including factors beyond the Company's control, could impair its ability to service its indebtedness under the credit facilities. In addition, the cash flow required to service the Company's debt may reduce its ability to fund internal growth, additional acquisitions and capital improvements. One facility (the "Term Principal Debt") of the credit facilities, which totals $1.25 billion, matures in a single installment on December 31, 1996.

The other facility (the "Revolving Facility Commitment"), which totals $2.16 billion, will be reduced at the end of each fiscal quarter, commencing on September 30, 1996, in varying amounts, and must be paid in full on December 31, 2000. In addition, these credit facilities restrict the payment of cash dividends and otherwise limit the Company's financial flexibility.

The Company is committed to a priority plan of accelerating operating cash flow to reduce debt. The Company anticipates that the existing debt balances including the $1.25 billion Term Principal Debt, which matures December 1996, will be refinanced with a new revolving commercial bank credit facility with similar terms. Additional capital availability may be generated through a combination of commercial bank debt and public market debt. Successful execution of the refinancings and the priority plan would provide continued compliance with required operating ratio covenants and would eliminate any type of equity financing other than equity issued in connection with acquisitions. No assurance can be given that the Company will achieve its priority plan or that any refinancing will be available on terms acceptable to WorldCom.

Acquisition Integration. A major portion of the Company's growth in recent years has resulted from acquisitions, which involve certain operational and financial risks. Operational risks include the possibility that an acquisition does not ultimately provide the benefits originally anticipated by management of the acquiror, while the acquiror continues to incur operating expenses to provide the services formerly provided by the acquired company. Financial risks involve the incurrence of indebtedness by the acquiror in order to effect the acquisition and the consequent need to service that indebtedness. In addition, the issuance of stock in connection with acquisitions dilutes the voting power and may dilute certain other interests of existing stockholders. In carrying out its acquisition strategy, the Company attempts to minimize the risk of unexpected liabilities and contingencies associated with acquired businesses through planning, investigation and negotiation, but such unexpected liabilities may nevertheless accompany acquisitions. There can be no assurance that the Company will be successful in identifying attractive acquisition candidates or completing additional acquisitions on favorable terms.

Contingent Liabilities. The Company is subject to a number of legal and regulatory proceedings, including certain legal proceedings pending against IDB prior to its merger with a wholly-owned subsidiary of WorldCom on December 30, 1994 (the "IDB Merger"). While the Company believes that the probable outcome of any of these matters, or all of them combined, will not have a material adverse effect on the Company's consolidated results of operations or financial position, no assurance can be given that a contrary result will not be obtained. See Item 3 - "Legal Proceedings."

In addition to a number of other pending legal proceedings, on May 23, 1994, Deloitte & Touche LLP ("Deloitte") resigned as IDB's independent auditors. Deloitte has stated it resigned as a result of events surrounding the release and reporting of IDB's financial results for the first quarter of 1994. In submitting its resignation, Deloitte informed IDB management and the Audit Committee of the IDB Board of Directors that there had been a serious breakdown in IDB's process of identifying, analyzing and recording IDB's business transactions which prohibited Deloitte from the satisfactory completion of a quarterly review, and that Deloitte was no longer willing to rely on IDB management's representations regarding IDB's interim financial statements. IDB announced Deloitte's resignation on May 31, 1994. On June 24, 1994, upon the recommendation of the independent members of IDB's Audit Committee, IDB retained Arthur Andersen LLP as its new independent auditors. On August 1, 1994, IDB announced that it would restate its reported financial results for the quarter ended March 31, 1994 to eliminate approximately $6.0 million of pre-tax income, approximately $5.0 million of which related to a sale of transponder capacity and approximately $1.0 million of which related to purchase accounting adjustments and on August 22, 1994, IDB filed Amendment No.1 on Form 10-Q/A restating its 1994 first quarter results in order to eliminate previously recorded items. Certain of these items were among those as to which Deloitte had expressed disagreement. On November 21, 1994, IDB filed Form 10-Q/A amendments to its reported first and second quarter financial results making the previously announced changes and reflecting the effect of IDB's method of accounting for international long distance traffic, thereby reducing its first quarter net income from $0.12 per share, as originally reported, to $0.05 per share and, when combined with adjustments for income tax effects, increasing its second quarter net loss from $0.20 per share, as originally reported, to $0.27 per share.

IDB is a party to indemnification agreements with IDB's former officers and directors, certain selling shareholders and certain underwriters. IDB's former officers and directors are not covered by any applicable liability insurance. The Company has agreed to provide indemnification to IDB's officers and directors under certain circumstances pursuant to the agreement relating to the IDB Merger.

On June 9, 1994, the SEC issued a formal order of investigation concerning certain matters, including IDB's financial position, books and records and internal controls and trading in IDB securities on the basis of non-public information. The SEC has issued subpoenas to IDB and others, including certain former officers of IDB, in connection with its investigation. The National Association of Securities Dealers, Inc. ("NASD") and other self-regulatory bodies have also made inquiries of IDB concerning similar matters.

The U.S. Attorney's Office for the Central District of California has issued grand jury subpoenas to IDB seeking documents relating to IDB's 1994 first quarter results, the Deloitte resignation, trading in IDB securities and other matters, including information concerning certain entities in which certain former officers of IDB are personal investors and transactions between such entities and

IDB. IDB has been informed that a criminal investigation has commenced. The U.S. Attorney's Office for the Central District of California issued a grand jury subpoena to the Company arising out of the same investigation seeking certain documents relating to IDB.

The outcome of any of the foregoing litigation or investigations, or of other pending legal proceedings, has not been determined. See Item 3 - "Legal Proceedings" for more information regarding the foregoing litigation and investigations, as well as other pending legal proceedings.

Risks of International Business. As a result of the IDB Merger, the Company derives substantial revenues by providing international communication services primarily to customers headquartered in the United States. Such operations are subject to certain risks such as changes in foreign government regulations and telecommunication standards, licensing requirements, tariffs or taxes and other trade barriers and political and economic instability. In addition, such revenues and costs of sales are sensitive to changes in international settlement rates. International rates may decrease in the future due to aggressiveness on the part of existing carriers, aggressiveness on the part of new entrants into niche markets, the widespread resale of international private lines, the consummation of joint ventures among large international carriers that facilitate targeted pricing and cost reductions, and the rapid growth of international circuit capacity due to the deployment of new transatlantic and transpacific fiber optic cables.

Dependence on Availability of Transmission Facilities. The future profitability of the Company will be dependent in part on its ability to utilize transmission facilities leased from others on a cost-effective basis. The recent acquisitions of WilTel and IDB have reduced the leasing risk through the ownership of significant domestic and international assets, however, due to the possibility of unforeseen changes in industry conditions, the continued availability of leased transmission facilities at historical rates cannot be assured. See "Item 1 - Business - Transmission Facilities."

Regulation Risks. The Company is subject to extensive regulation at the federal and state levels, as well as in various foreign countries in connection with certain overseas business activities. The regulatory environment varies substantially by jurisdiction.

The regulation of the telecommunications industry is changing rapidly and the regulatory environment varies substantially from state to state. There can be no assurance that future regulatory changes will not have a material adverse impact on WorldCom. Recent developments include, without limitation, enactment of legislation that modifies the AT&T Divestiture Decree restrictions on the provision of long distance services by the BOCs between LATAs as defined in the AT&T Divestiture Decree, FCC and PUC action changing access rates charged by LECs and making other related changes to access and interconnection policies, certain of which could have adverse consequences for the Company; related FCC and state regulatory proceedings considering additional deregulation of LEC access pricing; a pending FCC rulemaking on "billed party preference" that could affect WorldCom's provision of operator services; and various legislative and regulatory proceedings that would result in new local exchange competition.

On February 8, 1996, President Clinton signed legislation, that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry.

The Company will need to comply with the applicable laws and obtain the approval of the regulatory authority of each country in which it provides or proposes to provide telecommunications services. The laws and regulatory requirements vary from country to country. Some countries have substantially deregulated various communications services, while other countries have maintained strict regulatory regimes. The application procedure can be time-consuming and costly, and terms of licenses vary for different countries.

Transmissions from earth stations to all satellites, transmissions from microwave and other transmitters, reception from international satellites, and transmission of international traffic by any means, including operator assisted long distance service, satellite, and undersea cable, must be pursuant to license or other authorizations issued by the FCC. The Company, or an affiliate of the Company, has operating authority or has made other arrangements to transmit and/or receive signals from all locations where it currently offers satellite transmission and/or reception service.

Although the Company has never had a license application denied by the FCC, there can be no assurance that it will receive all authorizations or licenses necessary for new communications services or that delays in the licensing process will not adversely affect the Company's business. Domestic radio licenses issued by the FCC are for limited periods not to exceed 10 years. The Company must seek renewal of such licenses prior to their expiration. The Company knows of no facts that would result in the denial of any such renewals. WorldCom monitors compliance with federal, state and local regulations governing the discharge and disposal of

hazardous and environmentally sensitive materials, including the emission of electromagnetic radiation. WorldCom believes that it is in compliance with such regulations. However, there can be no assurance that any such discharge, disposal or emission might not expose WorldCom to claims or actions that could have a material adverse effect on the Company's consolidated results of operations or financial position.

Competition Risks. The Company faces intense competition in providing both domestic and international long distance telecommunications services. Domestically, WorldCom competes for interLATA and intraLATA services with AT&T, MCI, Sprint, the LECs, and other national and regional IXCs, where permissible; and with respect to operator service, with AT&T and other operator service providers. Internationally, the Company competes for services with other IXCs, including AT&T, MCI, and Sprint. Certain of these companies have substantially greater market share and financial resources than WorldCom, and some of them are the source of communications capacity used by WorldCom to provide its own services.

WorldCom expects to encounter continued competition from major domestic and international communications companies, including AT&T, MCI, and Sprint. In addition, the Company may be subject to additional competition due to the enactment of the Telecommunications Act of 1996, the development of new technologies and increased availability of domestic and international transmission capacity.

For example, even though fiber-optic networks, such as that of the Company, are now widely used for long distance transmission, it is possible that the desirability of such networks could be adversely affected by changing technology. The telecommunications industry is in a period of rapid technological evolution, marked by the introduction of new product and service offerings and increasing satellite and fiber optic transmission capacity for services similar to those provided by the Company. The Company cannot predict which of many possible future product and service offerings will be important to maintain its competitive position or what expenditures will be required to develop and provide such products and services.

Anti-Takeover Provisions. The Amended and Restated Articles of Incorporation of the Company contain provisions (a) requiring a 70% vote for approval of certain business combinations with certain 10% stockholders unless approved by a majority of the continuing Board of Directors or unless certain minimum price, procedural and other requirements are met; (b) restricting aggregate beneficial ownership of the capital stock of the Company by foreign stockholders to 20% of the total outstanding capital stock, and subjecting excess shares to redemption; and (c) requiring a two-thirds vote of the holders of the Company's Series 2 Preferred Stock to approve certain extraordinary transactions or, alternatively, redemption of such stock at a specified premium. In addition, the Bylaws of the Company (a) contain requirements regarding advance notice of nomination of directors by stockholders, and (b) restrict the calling of special meetings by stockholders to those owning shares representing not less than 40% of the votes to be cast. These provisions may have an "anti-takeover" effect.

Employees

As of March 15, 1996, the Company employed approximately 7,500 full-time persons. Substantially all of the Company's employees are not represented by any labor union.

ITEM 2. PROPERTIES

The tangible assets of the Company include a substantial investment in telecommunications equipment. The aggregate value of the Company's transmission equipment and communications equipment which include network switches and customer premise equipment was $1.38 billion and $401.5 million, respectively, at December 31, 1995. Approximately $390.0 million has been budgeted for telecommunications equipment purchases in 1996 without regard to possible future acquisitions, if any.

The Company's rights-of-way for its fiber optic cable and 172 tower microwave transmission network are typically held under leases, easements, licenses or governmental permits. All other major equipment and physical facilities are owned in fee and are operated, constructed and maintained pursuant to rights-of-way, easements, permits, licenses or consents on or across properties owned by others.

WilTel has sold to independent entities and leased back its microwave system and its Kansas City to Los Angeles fiber optic system over primary lease terms ranging from 15 to 20 years. The leases have renewal options permitting WilTel to extend the leases for terms expiring during the years 2012 to 2019 and purchase options based upon the fair market value.

The Company attempts to structure its leases of space for its network switching centers and rights-of-way for its fiber optic network with initial terms and renewal options so that the risk of relocation is minimized. The Company anticipates that prior to termination of any of the leases, it will be able to renew such leases or make other suitable arrangements.

WorldCom believes that all of the Company's facilities and equipment are in good condition and are suitable for their intended purposes.

ITEM 3. LEGAL PROCEEDINGS

IDB Related Investigations. On June 9, 1994, the SEC issued a formal order of investigation concerning certain matters, including IDB's financial position, books and records and internal controls and trading in IDB securities on the basis of non-public information. The SEC has issued subpoenas to WorldCom, IDB and others, including certain former officers of IDB, in connection with its investigation. The NASD and other self-regulatory bodies have also made inquiries of IDB concerning similar matters.

The U.S. Attorney's Office for the Central District of California has issued grand jury subpoenas to IDB seeking documents relating to IDB's first quarter of 1994 results, the Deloitte & Touche LLP resignation, trading in IDB securities and other matters, including information concerning certain entities in which certain former officers of IDB are personal investors and transactions between such entities and IDB. IDB has been informed that a criminal investigation has commenced. The U.S. Attorney's Office has issued a grand jury subpoena to WorldCom arising out of the same investigation seeking certain documents relating to IDB. See Item 1 - "Business - Risk Factors - Contingent Liabilities."

AT&T Patents. AT&T has claimed that a number of long distance carriers, including the Company, make unauthorized use of AT&T patents in the provision of some of the carriers' long distance services. Effective December 15, 1995, the Company and AT&T entered into a two year patent licensing agreement which, among other things, released all claims by AT&T against the Company relating to any alleged patent infringement.

Other. On February 8, 1996, President Clinton signed legislation that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry. However, the Company believes that it is positioned to take advantage of business opportunities in the rapidly changing telecommunications market.

The Company is involved in other legal and regulatory proceedings generally incidental to its business. In some instances, rulings by regulatory authorities in some states may result in increased operating costs to the Company.

While the results of these various legal and regulatory matters contain an element of uncertainty, the Company believes that the probable outcome of any of the legal or regulatory matters, or all of them combined, should not have a material adverse effect on the Company's consolidated results of operations or financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The shares of WorldCom Common Stock are quoted on the Nasdaq National Market. On May 25, 1995, the Company changed its name to WorldCom, Inc. and its trading symbol became WCOM. Prior to the name change, the Company's Common Stock was traded on the Nasdaq National Market under the trading symbol LDDS. The following table sets forth the high and low sales prices per share of WorldCom Common Stock as reported on the Nasdaq National Market based on published financial sources, for the periods indicated.

	High	Low
1994		
First Quarter	$29.50	$23.25
Second Quarter	25.25	14.00
Third Quarter	25.00	16.50
Fourth Quarter	24.38	16.38
1995		
First Quarter	$26.25	$19.13
Second Quarter	27.38	23.13
Third Quarter	34.13	26.75
Fourth Quarter	35.88	29.75

As of March 15, 1996, there were 194,043,449 shares of Common Stock issued and outstanding held by 6,406 shareholders of record.

The Company has never paid cash dividends on its Common Stock. The policy of the Company's Board of Directors has been to retain earnings to provide funds for the operation and expansion of its business. Also, the Company's credit facilities restrict the payment of dividends on its Common Stock. See Note 4 of Notes to Consolidated Financial Statements.

Preferred Stock

The Company's Series 2 Preferred Stock has a liquidation value of $25 per share, a conversion price of $11.81171 per share and pays dividends at the rate of 6.5% annually, payable quarterly. There is no established public trading market for the Series 2 Preferred Stock. Except under certain circumstances, the Series 2 Preferred Stock may not be redeemed by the Company prior to June 5, 1996. Thereafter, the Series 2 Preferred Stock may be redeemed in whole or in part in integral multiples of $10.0 million, at prices which include premiums over the liquidation preference of $25 per share, which prices range from 108% in 1996 declining to 100% on and after June 5, 2002. As of March 15, 1996, there were 1,244,048 shares of the Series 2 Preferred Stock outstanding.

In March 1996, the Company's Board of Directors approved a resolution authorizing the Company to redeem on June 5, 1996 or such later date as the president of the Company may determine, all outstanding shares of the Series 2 Preferred Stock, including all accrued and unpaid dividends thereon. See Note 5 of Notes to Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

The following is a summary of selected financial data of the Company as of and for the five years ended December 31, 1995. The historical financial data as of December 31, 1995 and 1994 and for the years ended December 31, 1995, 1994, and 1993 have been derived from the historical financial statements of the Company, which financial statements have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report included elsewhere herein. The report of Arthur Andersen LLP on the Consolidated Financial Statements of the Company as of and for the three years ended December 31, 1995 refers to their reliance on the report of other auditors in rendering an opinion on those financial statements. This data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements appearing elsewhere in this document.

	1995	1994	1993	1992	1991
	Years Ended December 31, (In thousands, except ratios and per share data)				
Operating Results:					
Revenues	$3,639,875	$2,220,765	$1,474,257	$948,060	$719,214
Operating income	676,048	69,738	238,833	51,983	96,197
Income (loss) before extraordinary item	267,660	(122,158)	124,321	8,344	39,592
Extraordinary item	-	-	(7,949)	(5,800)	(1,283)
Net income (loss)	267,660	(122,158)	116,372	2,544	38,309
Preferred dividend requirement	33,191	27,766	11,683	2,112	-
Earnings (loss) per common share:					
Income (loss) before extraordinary item --					
Primary	1.30	(0.95)	0.82	0.06	0.39
Fully diluted	1.28	(0.95)	0.80	0.06	0.38
Net income (loss)--					
Primary	1.30	(0.95)	0.76	0.00	0.37
Fully diluted	1.28	(0.95)	0.74	0.00	0.37
Net income before special dividend payment to Series 1 preferred shareholder:					
Primary	1.37	(0.95)	0.76	0.00	0.37
Fully diluted	1.36	(0.95)	0.74	0.00	0.37
Weighted average shares --					
Primary	193,449	157,805	137,927	112,653	102,658
Fully diluted	201,495	157,805	140,796	113,053	103,103
Financial position:					
Total assets	$6,634,571	$ 3,430,192	$ 3,236,718	$ 1,241,278	$ 959,909
Long-term debt	3,391,281	794,001	730,023	448,496	457,767
Shareholders' investment	2,187,286	1,827,170	1,911,800	478,823	347,940
Ratio of earnings to combined fixed charges and preferred stock dividends	2.31:1	0.13:1	4.14:1	1.40:1	2.53:1
Deficiency of earnings to combined fixed charges and preferred stock dividends	$ -	$ (78,088)	$ -	$ -	$ -

Notes to Selected Financial Data:

(1) In 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of Common Stock and exercised warrants to acquire 3,106,976 shares of Common Stock and immediately sold its position of 30,849,548 shares of Common Stock in a public offering. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

(2) As a result of the IDB Merger and the ATC Merger, the Company initiated plans to reorganize and restructure its management and operational organization and facilities to eliminate duplicate personnel, physical facilities and service capacity, to abandon certain products and marketing activities, and to take further advantage of the synergies available to

the combined entities. Also, during the fourth quarter of 1993, plans were approved to reduce IDB's cost structure and to improve productivity. Accordingly, in 1994, 1993 and 1992, the Company charged to operations the estimated costs of such reorganization and restructuring activities, including employee severance, physical facility abandonment and duplicate service capacity. These costs totaled $43.7 million in 1994, $5.9 million in 1993 and $79.8 million in 1992.

Also, during 1994 and 1992, the Company incurred direct merger costs of $15.0 million and $7.3 million, respectively, related to the IDB Merger (in 1994) and the ATC Merger (in 1992). These costs include professional fees, proxy solicitation costs, travel and related expenses and certain other direct costs attributable to these mergers.

(3) In connection with certain debt refinancing, the Company recognized in 1993 and 1992 extraordinary items of approximately $7.9 million and $5.8 million, respectively, net of income taxes, consisting of unamortized debt discount, unamortized issuance cost and prepayment fees. See Note 4 of Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis relates to the financial condition and results of operations of the Company for the three years ended December 31, 1995 after giving effect to the IDB Merger, which was accounted for as a pooling-of-interests. This information should be read in conjunction with the "Selected Financial Data" and the Company's Consolidated Financial Statements appearing elsewhere in this document.

General

The Company's emphasis on acquisitions has taken the Company from a small regional long distance carrier to one of the largest long distance telecommunications companies in the industry, serving customers domestically and internationally. The Company's operations have grown significantly in each year of its operations as a result of internal growth, the selective acquisition of smaller long distance companies with limited geographic service areas and market shares, the consolidation of certain third tier long distance carriers with larger market shares, and international expansion.

On January 5, 1995, the Company completed the acquisition of the network services operations of Williams Telecommunications Group, Inc. ("WilTel"), a subsidiary of The Williams Companies, Inc. ("Williams"), for approximately $2.5 billion in cash (the "WilTel Acquisition"). Through this purchase, the Company acquired a nationwide common carrier network of approximately 11,000 miles of fiber optic cable and digital microwave facilities. The WilTel Acquisition was accounted for as a purchase transaction for financial reporting purposes. The funds paid to Williams were obtained by the Company under new credit facilities entered into on December 21, 1994. See Note 4 of Notes to Consolidated Financial Statements.

The Company's long distance revenues are derived principally from the number of minutes of use billed by the Company. Minutes billed are those conversation minutes during which a call is actually connected at the Company's switch (except for minutes during which the customer receives a busy signal or the call is unanswered at its destination). The Company's profitability is dependent upon, among other things, its ability to achieve line costs that are less than its revenues. The principal components of line costs are access charges and transport charges. Access charges are expenses incurred by IXCs for accessing the local networks of the LECs in order to originate and terminate calls and payments made to PTTs to complete international calls made from the U.S. Transport charges are the expenses incurred in transmitting calls between or within LATAs.

The most significant portion of the Company's line costs is access charges which are highly regulated. The FCC regulates international communications services and interstate telephone service and certain states, through the appropriate regulatory agency, regulate intrastate telephone service. Accordingly, the Company cannot predict what effect continued regulation and increased competition between LECs and other IXCs will have on future access charges. However, the Company believes that it will be able to continue to reduce 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.

On February 8, 1996, President Clinton signed legislation, that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards, and, establishes penalties for unauthorized switching of customers. The enactment of this legislation has made it possible for the Company to form business associations to provide long distance telecommunications services with certain LECs and the Company expects to pursue resale of

local service in those markets where it is both economically and technically feasible. While the effects of this legislation on the Company and the industry remain uncertain, the Company believes that it is positioned to take advantage of business opportunities in the rapidly changing telecommunications marketplace.

In the first quarter of 1996, the Company signed agreements to provide long distance telecommunications services to GTE Long Distance, Ameritech Communications, Inc., and Southwestern Bell Mobile Systems, Inc. WorldCom also entered into an agreement to become a major provider of data telecommunications services for EDS, a global information services company.

Additionally, in response to the changing regulatory environment, WorldCom has filed applications with public utility commissions in several states to offer customers a full range of local telephone exchange services, an important capability that will serve as a complement to the Company's national and international service offerings. To date, WorldCom has received permission to provide local service on a resale basis in California, Connecticut, Florida, Illinois and Texas.

Results of Operations

The following table sets forth for the periods indicated the Company's statement of operations as a percentage of its operating revenues.

	For the Year Ended December 31,		
	1995	1994	1993
Revenues	100.0%	100.0%	100.0%
Line costs	54.7	65.2	59.8
Selling, general and administrative	18.1	19.4	16.7
Depreciation and amortization	8.6	7.4	6.9
Direct merger costs, restructuring and other charges	-	4.8	0.4
Operating income (expense):	18.6	3.1	16.2
Other income (expense):			
Interest expense	(6.8)	(2.1)	(2.4)
Shareholder litigation settlement	-	(3.4)	-
Miscellaneous	0.3	0.2	0.5
Income (loss) before income taxes and extraordinary item	12.1	(2.2)	14.2
Provision for income taxes	4.7	3.3	5.8
Net income (loss) before extraordinary item	7.4	(5.5)	8.4
Extraordinary item	-	-	(0.5)
Net income (loss)	7.4	(5.5)	7.9
Preferred dividend requirement	1.0	1.3	0.8
Net income (loss) applicable to common shareholders	6.4%	(6.8)%	7.1%

Year Ended December 31, 1995 vs.
Year Ended December 31, 1994:

Revenues for 1995 increased 64% to $3.64 billion on 19.37 billion revenue minutes as compared to $2.22 billion on 10.97 billion revenue minutes for 1994.

On a pro forma basis, as though the acquisition of WilTel occurred at the beginning of 1994, revenues and traffic for 1995 increased 19% and 30%, respectively, compared with pro forma revenues of $3.07 billion on 14.60 billion revenue minutes for 1994. Revenue growth for 1995 was driven by strong performance from the Company's retail and wholesale switched services offset insignificantly by declines in operator services revenue. Switched retail revenues and traffic rose 18% and 22%, respectively. Wholesale revenues and traffic rose 26% and 47%, respectively. Operator services revenues and traffic decreased 6% and 15%, respectively, yet represented less than 5% of total Company revenues for 1995.

Private line revenues for 1995 also reflected positive growth, increasing 21% over 1994 pro forma results due to growth in commercial Internet business and other frame relay applications.

Line costs as a percentage of revenues decreased to 54.7% in 1995 compared to 65.2% for 1994. These decreases are attributable to changes in product mix, rate reductions resulting from favorable contract negotiations and synergies and economies of scale resulting from network efficiencies achieved from the assimilation of the IDB Merger and the WilTel Acquisition into the Company's

operations. Additionally, through the WilTel Acquisition, the Company has been able to achieve further network efficiencies associated with owning the WilTel nationwide fiber optic cable network rather than leasing similar capacity from other providers at a higher cost.

Selling, general and administrative ("SG&A") expenses for 1995 increased to $660.1 million or 18.1% of revenues as compared to $432.4 million or 19.4% of revenues for 1994. The increase in selling, general and administrative expenses results from the Company's expanding operations, primarily through the WilTel Acquisition and internal growth. The decrease in expense as a percentage of revenues reflects the assimiliation of recent acquisitions into the Company's strategy of cost control.

Depreciation and amortization expense for 1995 increased to $311.3 million or 8.6% of revenues from $163.8 million or 7.4% of revenues for 1994. This increase reflects depreciation and amortization of the additional property and equipment and goodwill from the WilTel Acquisition.

Interest expense in 1995 was $249.1 million or 6.8% of revenues, as compared to $47.3 million or 2.1% of revenues in 1994. The increase in interest expense was due primarily to an increase in the average debt outstanding by the Company to finance the WilTel Acquisition. Also, higher interest rates were in effect on the Company's long-term debt, reflecting higher prevailing interest rates in the market generally. For the year ended December 31, 1995 and 1994, weighted average annual interest rates were 7.2% and 6.2%, respectively. For the year ended December 31, 1995 and 1994, weighted average annual levels of borrowing were $3.51 billion and $795.8 million, respectively.

The effective income tax rate for 1995 was 39% of income before taxes versus a 1994 rate in excess of 100%. The 1995 effective rate of 39% includes the effect of a $7.0 million decrease in the Company's valuation allowance. The valuation allowance decreased due to the Company's ability to utilize net operating losses that management had previously determined would not be utilized under a "more likely than not" scenario. This is mainly attributable to the profitability of individual operating units in 1995. The remaining valuation allowance as of December 31, 1995 is $101.7 million. The unusually high income tax rate in 1994 was due to permanent items not deductible for tax purposes as well as a $90.0 million valuation allowance placed on the deferred tax asset in connection with IDB net operating losses.

In the third quarter of 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of Common Stock and exercised warrants to acquire 3,106,976 shares of Common Stock and immediately sold its position of 30,849,548 shares of Common Stock in a public offering. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

Net income applicable to common shareholders was $234.5 million for 1995 versus a $149.9 million loss in the comparable 1994 period. Operating results for 1995 include the non-recurring payment of $15.0 million to Metromedia. Excluding this payment, earnings for 1995 would have been $249.5 million or $1.36 per common share.

**Year Ended December 31, 1994 vs.
Year Ended December 31, 1993:**

Revenues increased by 50.6% to $2.22 billion on 10.97 billion revenue minutes in 1994 from $1.47 billion on 6.94 billion revenue minutes in 1993. The overall increase in total revenues was primarily attributable to the inclusion of a full year's revenues from the 1993 acquisitions of Dial-Net, MCC, Resurgens and TRT and internal growth. See Note 2 of Notes to Consolidated Financial Statements.

Line costs increased from $881.5 million in 1993 to $1.4 billion in 1994. This increase is due to increased traffic volumes, partially offset by network efficiencies and rate reductions resulting from favorable contract negotiations. As a percentage of revenues, line costs increased to 65.2% in 1994 from 59.8% in 1993. This increase is attributable to the change in product mix including increased international traffic, which carries higher line costs. Additionally, IDB's margins decreased in 1994 as IDB was unable to deliver all of its inbound traffic over its existing facilities and had to use other carriers at a higher cost to deliver this overflow traffic. Also in 1994, IDB's carrier revenue as a proportion of total international traffic increased and these rates are typically lower than rates charged to commercial customers. Certain of these IDB carrier contracts provided either a break even or negative margin to the Company and accordingly, service to these customers was discontinued in December 1994.

SG&A increased to $432.4 million in 1994 from $246.1 million in 1993, and as a percentage of revenues, these expenses increased to 19.4% in 1994 from 16.7% in 1993. The increase in SG&A as a percentage of revenues is attributable to various IDB-related one-time adjustments which were recorded in 1994. These adjustments included $40.9 million to adjust the provision for doubtful

accounts receivable, $8.0 million in accounting and legal expenses incurred in connection with the resignation of IDB's prior auditors and $37.5 million related to various investment write-downs and other balance sheet accruals.

In 1994, the Company determined that adjustments to certain assets of IDB Broadcast were appropriate to properly reflect estimated net realizable values. Accordingly, the Company recorded adjustments of $48.5 million, to reduce the carrying value of these broadcast assets (primarily intangible assets and property and equipment) to the Company's best estimate of the net realizable value. See Note 3 of Notes to Consolidated Financial Statements. Although the Company continues to offer IDB Broadcast services, such services are not a part of the Company's core business operations. Accordingly, subsequent to December 31, 1994, the Company sold its simulcasting operations and entered into an agreement to outsource the management of the remaining IDB Broadcast operations.

As a result of the IDB Merger, the Company initiated plans to reorganize and restructure its management and operational organization and facilities. Accordingly, the Company charged to operations in 1994, the estimated costs of the IDB Merger and restructuring of $15.0 million and $43.7 million, respectively. In 1993, plans were approved to reduce IDB's cost structure and to improve productivity. Such plans included a reduction in the number of employees and the disposition of certain assets. In connection with this plan, $5.9 million was charged to operations in 1993. See Note 3 of Notes to Consolidated Financial Statements.

Depreciation and amortization expense, which includes depreciation of the Company's call transmission facilities, increased to $163.8 million from $101.9 million in 1993 or 7.4% and 6.9% of revenues in 1994 and 1993, respectively. The increase in such expenses was due primarily to depreciation and amortization of the additional property and equipment, customer bases and goodwill resulting from acquisitions by the Company during 1993.

Interest expense in 1994 was $47.3 million or 2.1% of revenues, as compared to $35.6 million or 2.4% of revenues in 1993. This decrease as a percentage of revenues was a result of several factors, including the Company's prepayment of long-term debt with funds obtained through the public offering of IDB common stock in May 1993 and the issuance by IDB in August 1993 of $195.5 million of 5% convertible subordinated notes due 2003. Additionally, as some of the Company's acquisitions were funded by a combination of stock and debt, the interest expense has not grown as rapidly as the revenues.

In the third quarter of 1994, the Company recorded a $76.0 million charge which represents an estimated shareholder litigation settlement of $75.0 million and $1.0 million in related legal costs. This liability was paid by the Company in April 1995.

The Company recorded a provision for income taxes of $73.8 million on a pretax loss of $48.3 million in 1994. Although the Company generated a consolidated pre-tax loss in 1994, permanent items aggregating approximately $113.0 million resulted in the recognition of taxable income. Also, because the current year net operating loss ("NOL") generated by IDB prior to the IDB Merger may be offset only by future taxable income generated at the IDB level of the Company's operations, the Company believed that only a portion of the current year NOL could be utilized under a "more likely than not" scenario. Accordingly, the Company placed a valuation allowance on the deferred tax asset attributable to approximately $90.0 million of the NOL.

Liquidity and Capital Resources

On January 5, 1995, in conjunction with the WilTel Acquisition, the Company utilized its $3.41 billion long-term credit facilities and repaid all debt under the Company's previous credit facilities and $123.0 million in senior notes. Total additional borrowings for 1995 were $2.7 billion. At December 31, 1995, the Company had access to an additional $251.1 million under its long-term credit facilities. The credit facility is comprised of a $2.16 billion, six-year reducing revolving credit facility (the "Revolving Facility Commitment") and a $1.25 billion, two-year term facility (the "Term Principal Debt"). The maximum principal amount permitted to be outstanding under the Revolving Facility Commitment will be reduced at the end of each fiscal quarter, commencing September 30, 1996, in varying amounts, and the outstanding balance must be paid in full on December 31, 2000. The Term Principal Debt matures in a single installment on December 31, 1996. The Revolving Facility Commitment and the Term Principal Debt bear interest, payable quarterly, at variable rates selected by the Company under the terms of the credit facilities. The Company is permitted to choose from several interest rate options including: a Base Rate plus applicable margin, the London Interbank Offering Rate ("LIBOR") plus applicable margin, or, for the Revolving Facility Commitment only, any Competitive Bid Rate. The applicable margin varies from 0% to 3/8% for Base Rate Borrowings and 1/2% to 1.5% for LIBOR Rate Borrowings from time to time based upon the lower of a specified financial test or the Company's long-term debt rating. The credit facilities are unsecured and require compliance with certain financial and other operating covenants which require the maintenance of certain minimum operating ratios and which limit, among other things, the incurrence of additional indebtedness by the Company and restricts the payment of cash dividends to WorldCom shareholders. See Note 4 to Notes to Consolidated Financial Statements.

In February 1995, to protect against the effect of rising interest rates, the Company entered into financial hedging agreements with various financial institutions, in connection with requirements under the credit facilities. The hedging agreements establish capped fixed rates of interest ranging from 8.25% to 8.3125% on an aggregate notional value of $1.7 billion. If interest rates do not reach this cap, the Company's interest rate remains variable. These contracts range in duration from one to two years with $845.4 million

maturing in each of the years ending 1996 and 1997. The $845.4 million which matured in 1996, was replaced with a hedging agreement which caps the fixed interest at 7.43% and matures in 1997.

The Company is committed to a priority plan of accelerating operating cash flow to reduce debt. The Company anticipates that the existing debt balances including the $1.25 billion Term Principal Debt, which matures December 1996, will be refinanced with a new revolving commercial bank credit facility with similar terms. Additional capital availability may be generated through a combination of commercial bank debt and public market debt. Successful execution of the refinancings and the priority plan would provide continued compliance with required operating ratio covenants and would eliminate any type of equity financing other than equity issued in connection with acquisitions. No assurance can be given that the Company will achieve its priority plan or that any refinancing will be available on terms acceptable to WorldCom.

The Company has historically utilized cash flow from operations to finance capital expenditures and a mixture of cash flow, debt and stock to finance acquisitions. The Company will continue to analyze potential acquisitions utilizing primarily equity financing until the additional leverage from the WilTel Acquisition is reduced.

For 1995, the Company's cash flow from operations was $615.7 million, increasing from $246.6 million in 1994 and $159.0 million in 1993. The increase in cash flow from operations was primarily attributable to cash flow from acquired operations, internal growth and the sale of the Company's receivables as noted below.

Cash used in investing activities in 1995 totaled $3.22 billion and included $2.77 billion for acquisitions and related costs and $355.8 million for capital expenditures. Primary capital expenditures include purchases of switching, transmission, communication and other equipment. Current budgeted network capital expenditures for 1996 total approximately $390.0 million.

Included in cash flows from financing activities are payments of $18.2 million for preferred dividend requirements and $15.0 million for the non-recurring payment to Metromedia. All of the Series 1 Preferred Stock was converted by Metromedia in August 1995 and accordingly, no further dividends will be required on the Series 1 Preferred Stock. A portion of the Company's Series 2 Preferred Stock was also converted during the third quarter of 1995. The Series 2 Preferred Stock remaining is expected to be redeemed by the Company during 1996. Assuming that the redemption of the Series 2 Preferred Stock occurs, as approved by the Company's Board of Directors, on or about June 5, 1996, the 1996 dividend expense is not anticipated to exceed $1.0 million.

During 1995, the Company amended WilTel's existing $80.0 million receivables purchase agreement to include certain additional receivables and received additional proceeds of $215.4 million. The Company used these proceeds to reduce the outstanding debt under the Company's credit facilities and provide additional working capital. As of December 31, 1995, the purchaser owned an undivided interest in a $608.9 million pool of receivables which includes the $295.4 million sold. The aggregate purchase limit under this agreement was $300.0 million at December 31, 1995.

In April 1995, an additional $75.0 million was borrowed against the Company's long-term credit facilities to pay the IDB shareholder litigation settlement liability, which had been recognized by the Company during the third quarter of 1994.

During 1995, Metromedia exercised its right to purchase a total of 6.2 million shares of the Company's Common Stock under purchase warrants. Aggregate proceeds of $64.4 million from these exercises were used to reduce the outstanding debt under the Company's credit facilities.

Absent significant capital requirements for other acquisitions, the Company believes that cash flow from operations and funds available under the credit facilities will be adequate to meet the Company's capital needs for the remainder of 1996.

Recently Issued Accounting Standards

In March 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This Statement is effective for financial statements for fiscal years beginning after December 15, 1995. WorldCom believes that the adoption of this standard will not have a material effect on the Company's consolidated results of operations or financial position.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans and is effective for fiscal years beginning after December 15, 1995. The Company expects to continue to apply the accounting provisions of APB Opinion 25 in determining its net income. However, additional disclosures will be made to disclose the estimated value of compensation expense under the method established by SFAS No. 123.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements and notes thereto are included elsewhere in this report on Form 10-K as follows:

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Consolidated financial statements-	
Consolidated balance sheets - December 31, 1995 and 1994	F-4
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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

The information required by this Part III will be provided in the Company's definitive proxy statement for the Company's 1996 annual meeting of shareholders (involving the election of directors), which definitive proxy statement will be filed pursuant to Regulation 14A not later than 120 days following the Company's fiscal year ended December 31, 1995, and is incorporated herein by this reference to the following extent:

(a) ITEM 10. Directors and Executive Officers of the Registrant - the information under the captions "ELECTION OF DIRECTORS - Information About Nominees and Executive Officers" and "EXECUTIVE COMPENSATION - Compliance with Section 16 of the Securities Exchange Act of 1934."

(b) ITEM 11. Executive Compensation - the information under the captions "INFORMATION CONCERNING BOARD OF DIRECTORS - Compensation of Directors," and "EXECUTIVE COMPENSATION."

(c) ITEM 12. Security Ownership of Certain Beneficial Owners and Management - the information under the captions "PRINCIPAL HOLDERS OF VOTING SECURITIES" and "SECURITY OWNERSHIP OF MANAGEMENT."

(d) ITEM 13. Certain Relationships and Related Transactions - the information under the caption "EXECUTIVE COMPENSATION - Certain Relationships and Related Transactions."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1 and 2

Financial statements and financial statement schedules

See Index to Consolidated Financial Statements and Financial Statement Schedule on page F-1 hereof.

(a) 3

Exhibits required by Item 601 of Regulation S-K

See Exhibit Index for the exhibits filed as part of or incorporated by reference into this Report. There are omitted from the exhibits filed with or incorporated by reference into this Annual Report on Form 10-K certain promissory notes and other instruments and agreements with respect to long-term debt of the Company, none of which authorizes securities in a total amount that exceeds 10% of the total assets of the Company on a consolidated basis. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, the Company hereby agrees to furnish to the Securities and Exchange Commission copies of any such omitted promissory notes or other instruments or agreements as the Commission requests.

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WorldCom, Inc.

Date: March 29, 1996

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

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

Name	Title	Date
/s/ Carl J. Aycock Carl J. Aycock	Director	March 29, 1996
/s/ Max E. Bobbitt Max E. Bobbitt	Director	March 29, 1996
/s/ Bernard J. Ebbers Bernard J. Ebbers	Director, President and Chief Executive Officer	March 29, 1996
/s/ Francesco Galesi Francesco Galesi	Director	March 29, 1996
/s/ Stiles A. Kellett, Jr. Stiles A. Kellett, Jr.	Director	March 29, 1996
/s/ Silvia Kessel Silvia Kessel	Director	March 29, 1996
/s/ John W. Kluge John W. Kluge	Director	March 29, 1996
John A. Porter	Director	March 29, 1996
/s/ Stuart Subotnick Stuart Subotnick	Director	March 29, 1996
/s/ Scott D. Sullivan Scott D. Sullivan	Director, Principal Financial Officer and Principal Accounting Officer	March 29, 1996
/s/ Lawrence C. Tucker Lawrence C. Tucker	Director	March 29, 1996
/s/ Roy A. Wilkens Roy A. Wilkens	Director	March 29, 1996

EXHIBIT INDEX

Exhibit No.	Description	Page
2.1	Agreement and Plan of Merger by and among IDB Communications Group, Inc., 123 Corp. and the Company dated as of August 1, 1994 (incorporated herein by reference to Exhibit 2.1 to the Quarterly Report on Form 10-Q filed by the Company (File No. 0-11258) for the quarter ended September 30, 1994) *	
2.2	Stock Purchase Agreement by and among the Company, The Williams Companies, Inc. and WTG Holdings, Inc., dated as of August 22, 1994 (incorporated herein by reference to Exhibit 2.2 to the Quarterly Report on Form 10-Q filed by LDDS (File No. 0-11258) for the quarter ended September 30, 1994) *	
2.3	Amendment Number 1 to the Stock Purchase Agreement by and among the Company, The Williams Companies, Inc. and WTG Holdings, Inc., dated as of December 27, 1994 (incorporated herein by reference to Exhibit 2.3 to LDDS' Current Report on Form 8-K dated December 30, 1994 (File No. 0-11258))	
4.1	Amended and Restated Articles of Incorporation of the Company (including preferred stock designations) as of September 15, 1993, as amended by Articles of Amendment dated May 26, 1994, as amended by Articles of Amendment dated May 25, 1995.	______
4.2	Bylaws of the Company (incorporated herein by reference to Exhibit 3(ii) to Amendment No. 1 to the Company's Registration Statement on Form S-3 (File No. 33-67340))	
4.3	Stock Purchase Agreement between LDDS Communications, Inc., a Tennessee corporation ("LDDS-TN"), and The 1818 Fund, L.P., dated as of March 20, 1992 (incorporated herein by reference to Exhibit 4.1 to the Quarterly Report on Form 10-Q filed by LDDS-TN (File No. 0-7116) for the quarter ended March 31, 1992)	
4.4	Registration Rights Agreement between LDDS-TN and The 1818 Fund, L.P., dated as of May 6, 1992 (incorporated herein by reference to Exhibit 4.5 to the Quarterly Report on Form 10-Q filed by LDDS-TN (File No. 0-7116) for the quarter ended June 30, 1992)	
4.5	Agreement to Amend Stock Purchase Agreement and Registration Rights Agreement and to Exchange Preferred Stock between LDDS-TN and The 1818 Fund, L.P., dated as of July 17, 1992 (incorporated herein by reference to LDDS-TN's Registration Statement on Form S-4 (File No. 33-49798))	
4.6	Amendment to Stock Purchase Agreement and Registration Rights Agreement between LDDS-TN and The 1818 Fund, L.P., dated as of September 1, 1993 (incorporated herein by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-3 (File No. 33-69122))	
4.7	Registration Rights Agreement, dated as of December 4, 1992, between LDDS-TN and ALLTEL Corporation (incorporated herein by reference to Exhibit 4.7 of the Company's Transition Report on Form 10-K, as amended, for the period from December 31, 1992 to June 30, 1993 (File No. 1-10415) (the "Transition Report I"))	
4.8	First Amendment to Registration Rights Agreement, dated as of September 14, 1993, between LDDS-TN and ALLTEL Corporation (incorporated herein by reference to Exhibit 4.8 of the Transition Report I)	
4.9	Form of Option expiring July 7, 1996 (incorporated herein by reference to Exhibit 4.2 to LDDS-TN's Registration Statement on Form S-3 (File No. 33-46556))	
4.10	Agreement to Issue Warrants between Resurgens and John D. Phillips, dated June 30, 1989, together with related form of Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 10.4 to Resurgens' Current Report on Form 8-K dated July 28, 1989 (File No. 1-10415))	
4.11	Stock Registration Agreement among Resurgens, John D. Phillips and certain other holders of Warrants, dated June 30, 1989 (incorporated herein by reference to Exhibit 10.6 to Resurgens' Current Report on Form 8-K dated July 28, 1989 (File No. 1-10415))	
4.12	Form of Selling Stockholder Agreement between Resurgens and certain Selling Stockholders, dated 1993 (incorporated herein by reference to Exhibit 4.16 of the Company's Transition Report on Form 10-K for the period from June 30, 1993 to December 31, 1993 (File No. 1-10415) (the "Transition Report II"))	
4.13	Form of First Amendment to Selling Stockholder Agreement between Resurgens and certain Selling Stockholders, dated September 13, 1993 (incorporated herein by reference to Exhibit 4.17 of the Transition Report I)	

Exhibit No.	Description	Page
10.1	Credit Agreement among the Company, NationsBank of Texas, N.A., (Managing Agent and Administrative Agent), The Bank of Nova Scotia, Credit Lyonnais Cayman Island Branch, First Union National Bank of North Carolina, The First National Bank of Chicago and the Long-Term Credit Bank of Japan, Limited (Agents) and the Lenders named therein (Lenders) dated as of December 21, 1994 (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, dated December 30, 1994 (File No. 0-11258))	
10.2	Agreement between LDDS-TN and MCI Telecommunications Corporation, effective as of September 13, 1991 (incorporated herein by reference to the exhibits to LDDS-TN's Quarterly Report on Form 10-Q for the quarter ended September 30, 1991, as amended under cover of Form 8 on February 3, 1992 (File No. 0-7116))	
10.3	Amendment dated July 29, 1994, to the agreement between the Company and MCI Telecommunications Corporation (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed by the Company (File No. 1-10415) for the quarter ended June 30, 1994)	
10.4	Amended and Restated Agreement for Information Technology Services between the Company and Electronic Data Systems Corporation ("EDS"), dated December 8, 1993 ("EDS Agreement") (incorporated herein by reference to Exhibit 10.5 of the Transition Report II) *	
10.5	Amendment No. 1 to the EDS Agreement dated December 8, 1993 (incorporated herein by reference to Exhibit 10.6 of the Transition Report II)	
10.6	LDDS Communications, Inc. Second Amended and Restated 1990 Stock Option Plan (incorporated herein by reference to LDDS-TN's Proxy Statement used in connection with LDDS-TN's 1993 Annual Meeting of Shareholders (File No. 0-7116)) (compensatory plan)	
10.7	LDDS Communications, Inc. 1988 Nonqualified Stock Option Plan (incorporated herein by reference to the exhibits to LDDS-TN's Registration Statement on Form S-4 (File No. 33-29051)) (compensatory plan)	
10.8	LDDS Annual Performance Bonus Plan (incorporated by reference to the Company's Proxy Statement used in connection with the Company's 1994 Annual Meeting of Shareholders (File No. 1-10415)) (compensatory plan)	
10.9	LDDS 1995 Special Performance Bonus Plan (incorporated herein by reference to Appendix E to the Prospectus in the Company's Amendment No. 2 to Registration Statement on Form S-4 (File No. 33-56543)) (compensatory plan)	
10.10	Employment Agreement between the Company and Gregory A. LeVert, dated December 5, 1994 (compensatory plan)	______
10.11	Employment Agreement between The Williams Companies, Inc., Williams Telecommunications Group, Inc. and Roy A. Wilkens dated as of January 1, 1990 as amended January 9, 1991 and January 1, 1994 (compensatory plan) *	______
11.1	Computation of Per Share Earnings	______
12.1	Statement regarding computation of ratio of earnings to combined fixed charges and preferred stock dividends.	______
21.1	Subsidiaries of the Company	______
23.1	Consent of Arthur Andersen LLP	______
23.2	Consent of Deloitte & Touche LLP	______
27.1	Financial Data Schedule	______

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* The Registrant hereby agrees to furnish supplementally a copy of any omitted schedules to this Agreement to the Securities and Exchange Commission upon its request.

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Schedules other than the schedule listed above have been omitted because of the absence of conditions under which they are required or because the information is included in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To WorldCom, Inc.
and Subsidiaries:

We have audited the accompanying consolidated balance sheets of WorldCom, Inc. (a Georgia corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of operations, shareholders' investment and cash flows for each of the years in the three-year period ended December 31, 1995. We did not audit the financial statements of IDB Communications Group, Inc., a company acquired during 1994 in a transaction accounted for as a pooling-of-interests, for the year ended December 31, 1993. Such statements are included in the consolidated financial statements of WorldCom, Inc. for the year ended December 31, 1993, and reflect 23 percent of consolidated total revenues for that year. These statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for IDB Communications Group, Inc., is based solely upon the report of the other auditors. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of WorldCom, Inc. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Financial Statements and Financial Statement Schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, based on our audits and the report of other auditors, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Jackson, Mississippi,
March 6, 1996.

INDEPENDENT AUDITORS' REPORT

IDB COMMUNICATIONS GROUP, INC.:

We have audited the consolidated statements of operations, shareholders' equity and cash flows of IDB Communications Group, Inc. for the year ended December 31, 1993 (not presented separately herein). Our audit also included the financial statement schedule for the year ended December 31, 1993 listed in the Index to Financial Statements and Financial Statement Schedule (not presented separately herein). These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and of cash flow of IDB Communications Group, Inc. and its subsidiaries for the year ended December 31, 1993 in conformity with generally accepted accounting principles. Also in our opinion, such financial statement schedule when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Los Angeles, California
March 7, 1994

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars, Except Per Share Data)

	December 31, 1995	December 31, 1994
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41,679	$ 19,259
Short-term investments	-	1,000
Accounts receivable, net of allowance for bad debts of $57,980 and $52,949 at December 31, 1995 and 1994, respectively	528,763	470,175
Income taxes receivable	17,499	-
Deferred tax asset	16,899	62,687
Other current assets	49,992	51,053
Total current assets	654,832	604,174
Property and equipment:		
Transmission equipment	1,376,242	472,737
Communications equipment	401,454	307,262
Furniture, fixtures and other	278,716	164,266
	2,056,412	944,265
Less - accumulated depreciation	(487,080)	(317,598)
	1,569,332	626,667
Excess of cost over net tangible assets acquired, net of accumulated amortization	4,292,752	2,0[illegible]3,709
Line installation costs, net of accumulated amortization	35,379	28,768
Deferred income taxes	-	14,120
Other assets	82,276	85,754
	$ 6,634,571	$ 3,430,192
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities:		
Short-term debt and current maturities of long-term debt	$ 1,112,853	$ 5,996
Accounts payable	137,342	138,101
Accrued line costs	391,604	258,053
Accrued restructuring costs	5,275	25,837
Shareholder litigation reserve	-	75,000
Income taxes payable	-	11,940
Other current liabilities	331,738	195,728
Total current liabilities	1,978,812	710,655
Long-term liabilities, less current portion:		
Long-term debt	2,278,428	788,005
Deferred income taxes payable	26,172	-
Other liabilities	163,873	104,362
Total long-term liabilities	2,468,473	892,367
Commitments and contingencies		
Shareholders' investment:		
Series 1 preferred stock, par value $.01 per share; authorized, issued and outstanding: none in 1995 and 10,896,785 shares in 1994 (liquidation preference of $544,839 in 1994)	-	109
Series 2 preferred stock, par value $.01 per share; authorized, issued and outstanding: 1,244,048 in 1995 and 2,000,000 shares in 1994 (liquidation preference of $31,101 in 1995 and $50,000 in 1994)	12	20
Preferred stock, par value $.01 per share; authorized: 48,755,952 shares in 1995 and 37,103,215 shares in 1994; none issued	-	-
Common stock, par value $.01 per share; authorized: 500,000,000 shares; issued and outstanding: 193,242,639 shares in 1995 and 159,643,312 shares in 1994	1,932	1,596
Additional paid-in capital	1,898,310	1,772,882
Retained earnings	287,032	52,563
Total shareholders' investment	2,187,286	1,827,170
	$ 6,634,571	$ 3,430,192

The accompanying notes are an integral part of these statements.

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

	For the Year Ended December 31,		
	1995	1994	1993
Revenues	$ 3,639,875	$ 2,220,765	$ 1,474,257
Operating expenses:			
Line costs	1,992,413	1,447,633	881,540
Selling, general and adminis... ive	660,149	432,360	246,105
Depreciation and amortization	311,265	163,828	101,859
Provision to reduce carrying value of certain assets	-	48,500	-
Direct merger costs	-	15,002	-
Restructuring and other charges	-	43,704	5,920
Total	2,963,827	2,151,027	1,235,424
Operating income	676,048	69,738	238,833
Other income (expense):			
Interest expense	(249,062)	(47,303)	(35,557)
Shareholder litigation settlement	-	(76,000)	-
Miscellaneous	11,801	5,223	6,644
Income (loss) before income taxes and extraordinary item	438,787	(48,342)	209,920
Provision for income taxes	171,127	73,816	85,599
Net income (loss) before extraordinary item	267,660	(122,158)	124,321
Extraordinary item (net of income taxes of $5,639)	-	-	(7,949)
Net income (loss)	267,660	(122,158)	116,372
Preferred dividend requirement	18,191	27,766	11,683
Special dividend payment to Series 1 preferred shareholder	15,000	-	-
Net income (loss) applicable to common shareholders	$ 234,469	$ (149,924)	$ 104,689
Earnings (loss) per common share -			
Income (loss) before extraordinary item:			
Primary	$ 1.30	$ (0.95)	$ 0.82
Fully diluted	1.28	(0.95)	0.80
Extraordinary item	-	-	(0.06)
Net income (loss)			
Primary	1.30	(0.95)	0.76
Fully diluted	1.28	(0.95)	0.74
Net income (loss) before special dividend payment to Series 1 preferred shareholder:			
Primary	1.37	(0.95)	0.76
Fully diluted	1.36	(0.95)	0.74

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' INVESTMENT
For the Three Years Ended December 31, 1995
(In Thousands)

	Series 1 Preferred Stock		Series 2 Preferred Stock		Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Balances, December 31, 1992	- $	-	- $	-	534 $	64,014	116,867 $	1,169 $	308,907 $	104,733
Exercise of stock options	-	-	-	-	-	-	5,048	50	20,174	-
Conversion of preferred stock	-	-	-	-	(34)	(17,444)	2,937	29	17,415	-
Conversion of preferred stock into Series 2 Preferred Stock	-	-	2,000	20	(500)	(46,570)	-	-	46,550	-
Common stock issued	-	-	-	-	-	-	2,253	23	50,977	-
Common stock issued to repurchase debt	-	-	-	-	-	-	160	2	5,987	-
Tax adjustment resulting from exercise of stock options	-	-	-	-	-	-	-	-	20,770	-
Cash for fractional shares	-	-	-	-	-	-	(3)	-	(76)	-
Shares issued for acquisitions	10,897	109	-	-	-	-	26,197	262	1,230,010	-
Net income	-	-	-	-	-	-	-	-	-	116,372
Cash dividends on preferred stock	-	-	-	-	-	-	-	-	-	(11,683)
Balances, December 31, 1993	10,897	109	2,000	20	-	-	153,451	1,535	1,700,714	209,422
Exercise of stock options	-	-	-	-	-	-	3,201	32	15,895	-
Common stock issued	-	-	-	-	-	-	2,195	22	22,971	(6,935)
Tax adjustment resulting from exercise of stock options	-	-	-	-	-	-	-	-	15,918	-
Shares issued for acquisitions	-	-	-	-	-	-	785	7	17,384	-
Net loss	-	-	-	-	-	-	-	-	-	(122,156)
Cash dividends on preferred stock	-	-	-	-	-	-	-	-	-	(27,766)
Balances, December 31, 1994	10,897	109	2,000	20	-	-	159,643	1,596	1,772,882	52,563
Exercise of stock options	-	-	-	-	-	-	9,483	95	90,437	-
Conversion of Series 1 Preferred Stock	(10,897)	(109)	-	-	-	-	21,877	219	(110)	-
Conversion of Series 2 Preferred Stock	-	-	(756)	(8)	-	-	1,600	16	(8)	-
Tax adjustment resulting from exercise of stock options	-	-	-	-	-	-	-	-	22,280	-
Cash for fractional shares	-	-	-	-	-	-	-	-	(15)	-
Shares issued for acquisitions	-	-	-	-	-	-	640	6	12,844	-
Net income	-	-	-	-	-	-		-	-	267,660
Cash dividends on preferred stock	-	-	-	-	-	-	-	-	-	(33,191)
Balances, December 31, 1995	- $	-	1,244 $	12	- $	-	193,243 $	1,932 $	1,898,310 $	287,032

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

	For the Year Ended December 31,		
	1995	1994	1993
Cash flows from operating activities:			
Net income (loss)	$ 267,660	$ (122,158)	$ 116,372
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Extraordinary item	-	-	7,949
Depreciation	185,702	97,089	64,239
Amortization	125,563	66,739	37,620
Provision for losses on accounts receivable	39,175	58,952	25,231
Provision for shareholder litigation	-	76,000	-
Provision to reduce the carrying value of certain assets	-	48,500	-
Provision for deferred income taxes	171,463	24,961	53,259
Change in assets and liabilities, net of effect of business combinations:			
Accounts receivable	(77,512)	(148,053)	(79,981)
Income taxes, net	(7,160)	21,215	18,362
Other current assets	2,182	(14,739)	3,622
Accrued line costs	63,830	18,629	49,585
Shareholder litigation reserve	(75,000)	75,000	-
Accounts payable and other current liabilities	(69,684)	26,601	(137,065)
Other	(10,539)	17,905	(185)
Net cash provided by operating activities	615,680	246,641	159,008
Cash flows from investing activities:			
Capital expenditures	(355,841)	(192,162)	(83,957)
Sale (purchase) of short-term investments, net	1,000	11,672	(12,672)
Acquisitions and related costs	(2,766,355)	(91,750)	(284,397)
Increase in intangible assets	(46,062)	(14,877)	(17,070)
Proceeds from disposition of other assets	21,294	-	-
Increase in other assets	(8,171)	(8,585)	(9,161)
Decrease in other liabilities	(62,604)	(30,947)	(7,379)
Payment for line installation costs	(20,949)	(11,071)	(13,936)
Proceeds from sale of property and equipment	13,676	2,000	6,118
Net cash used in investing activities	(3,224,012)	(335,720)	(422,454)
Cash flows from financing activities:			
Borrowings	2,702,650	77,600	391,050
Principal payments on debt	(129,224)	(40,707)	(126,178)
Common stock issuance	90,532	38,431	71,238
Dividends paid on preferred stock	(33,191)	(27,766)	(11,683)
Other	(15)	-	(5,667)
Net cash provided by financing activities	2,630,752	47,558	318,760
Net increase (decrease) in cash and cash equivalents	22,420	(41,521)	55,314
Cash and cash equivalents at beginning of period	19,259	60,780	5,466
Cash and cash equivalents at end of period	$ 41,679	$ 19,259	$ 60,780

The accompanying notes are an integral part of these statements.

WORLDCOM, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1995

(1) The Company and Significant Accounting Policies -

Description of Business and Organization:

WorldCom, Inc., a Georgia corporation ("WorldCom" or the "Company"), is one of the four largest long distance telecommunications companies in the United States, serving customers domestically and internationally. The Company provides long distance telecommunications services to business, consumer and other carrier customers, through its network of fiber optic cables, digital microwave, and fixed and transportable satellite earth stations, with service to points throughout the nation and the world. The products and services provided by WorldCom include: switched and dedicated long distance products, 800 services, calling cards, operator services, domestic and international private lines, broadband data services, debit cards, conference calling, advanced billing systems, enhanced faxed and data connections, television and radio transmission, and mobile satellite communications.

The Mergers:

On December 30, 1994, WorldCom, Inc., through a wholly owned subsidiary, merged with IDB Communications Group, Inc., a Delaware corporation ("IDB"), and in connection therewith issued approximately 35,881,000 shares of WorldCom common stock, (the "Common Stock"), for all of the outstanding shares of IDB common stock, (the "IDB Merger"). In addition, WorldCom assumed, on a subordinated basis, jointly and severally with IDB, the obligations of IDB to pay the principal of and interest on $195.5 million 5% convertible subordinated notes due 2003, issued by IDB. The IDB Merger was accounted for as a pooling-of-interests and, accordingly, the Company's financial statements for periods prior to the IDB Merger have been restated to include the results of IDB for all periods presented.

On September 15, 1993, a three-way merger occurred whereby (i) Metromedia Communications Corporation, a Delaware corporation ("MCC"), merged with and into Resurgens Communications Group, Inc., a Georgia corporation ("Resurgens"), and (ii) LDDS Communications, Inc., a Tennessee corporation ("LDDS-TN"), merged with and into Resurgens (the "Prior Mergers").

At the time of the Prior Mergers, the name of Resurgens, the legal survivor, was changed to LDDS Communications, Inc., and the separate corporate existences of LDDS-TN and MCC terminated. For accounting purposes, however, LDDS-TN was the survivor because the former shareholders of LDDS-TN acquired majority ownership of the Company. Accordingly, unless otherwise indicated, all historical information presented herein reflects the operations of LDDS-TN. At the annual meeting of shareholders held May 25, 1995, shareholders of LDDS Communications, Inc. voted to change the name of the Company to WorldCom, Inc., effective immediately. Information in this document has also been revised to reflect the stock splits of the Company's Common Stock.

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Investments in joint ventures and other equity investments in which the Company owns a 20% to 50% ownership interest, are accounted for by the equity method. Investments of less than 20% ownership are recorded at cost.

Fair Value of Financial Instruments:

The carrying amounts for cash, short-term investments, accounts receivable, notes receivable, accounts payable and accrued liabilities approximate their fair value. The fair value of the long-term debt is determined based on the cash flows from such financial instruments discounted at the Company's estimated current interest rate to enter into similar financial instruments. At December 31, 1995, the fair value of the 5.0% convertible subordinated notes was $244.1 million. The recorded amounts for all other long-term debt of the Company approximate fair values.

Property and Equipment:

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

Transmission equipment	5 to 30 years
Communications equipment	5 to 25 years
Furniture, fixtures and other	5 to 30 years

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

The Company constructs certain of its own transmission systems and related facilities. All internal costs directly related to the construction of such facilities, including interest and salaries of certain employees, are capitalized. Such costs were $14.7 million ($4.9 million in interest), $6.8 million ($1.2 million in interest), and $8.3 million ($3.1 million in interest) in 1995, 1994, and 1993, respectively.

Excess of Cost over Net Tangible Assets Acquired:

The major classes of intangible assets are summarized below (in thousands):

	Amortization Period	December 31, 1995	December 31, 1994
Goodwill	40 years	$4,417,964	$2,076,174
Customer acquisition cost	7 to 10 years	82,539	75,245
Other intangibles	5 years	96,147	61,290
		4,596,650	2,212,709
Less accumulated amortization		303,898	142,000
		$4,292,752	$2,070,709

Intangible assets are amortized using the straight-line method for the periods noted above.

Goodwill is recognized for the excess of the purchase price of the various business combinations over the value of the identifiable net assets and customer bases. See Note 2. Realization of acquisition-related intangibles, including goodwill, is periodically assessed by the management of the Company based on the current and expected future profitability and cash flows of acquired companies and their contribution to the overall operations of WorldCom.

Customer acquisition costs represent costs incurred as a result of purchase business combinations and are recorded based upon the estimated value of the customer bases acquired. See Note 2.

Line Installation Costs:

The Company defers the costs associated with the installation of local access lines and other network facilities. Amortization of these costs is provided over five years using the straight-line method. Accumulated amortization on line installation costs was $41.0 million and $29.5 million as of December 31, 1995 and 1994, respectively.

Other Long-term Liabilities:

At December 31, 1995 and 1994, other long-term liabilities includes $149.3 million and $80.1 million, respectively, related to estimated costs of closing duplicate facilities, and other non-recurring duplicative costs expected to be incurred as the result of various acquisitions and mergers. See Note 2.

Recognition of Revenues:

The Company records revenues for long distance telecommunications sales at the time of customer usage. The Company also performs systems integration services consisting of design and installation of transmission equipment and systems for its customers. Revenues and related costs for these services are recorded under the percentage of completion method.

Accounting for International Long Distance Traffic:

The Company enters into operating agreements with telecommunications carriers in foreign countries under which international long distance traffic is both delivered and received. Under these agreements, the foreign carriers are obligated to adhere to the policy of the Federal Communications Commission ("FCC") whereby traffic from the foreign country is routed to international carriers, of which the Company is one, in the same proportion as traffic carried into the foreign country. Mutually exchanged traffic between the Company and foreign carriers is settled in cash through a formal settlement policy that generally extends over a six-month period at an agreed upon tariff rate. Although the Company can estimate the amount of inbound traffic it will receive, under the FCC's proportional share policy, it generally must wait up to six months before it actually receives the inbound traffic.

The Company utilizes the net settlement concept that is inherent in the operating agreements as the basis for its accounting policy for international long distance traffic. Under this approach, the margin on outbound calls (recognizing that the proportionate return of the actual inbound call is received generally on a six-month lag) is normalized to reflect the implicit overall earning rate concept of the contract. Accordingly, a portion of the outbound call fee due the foreign carrier is deferred and accounted for as a cost attributable to the revenue

associated with the inbound call. All costs deferred are expensed six months later and offset against the revenues recognized upon receipt of return traffic.

Line Costs:

Line costs primarily include right-of-way payments and all payments to local exchange carriers ("LECs"), interexchange carriers and post telephone and telegraph administrations ("PTTs") primarily for access and transport charges.

Income Taxes:

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. SFAS 109 has as its basic objective the recognition of current and deferred income tax assets and liabilities based upon all events that have been recognized in the consolidated financial statements as measured by the provisions of the enacted tax laws. See Note 9.

Earnings Per Share:

For the years ended December 31, 1995 and 1993, earnings per share are calculated based on the weighted average number of shares outstanding during the period plus the dilutive effect of stock options and warrants determined using the treasury stock method. For the year ended December 31, 1994, earnings per share were calculated based on the weighted average number of shares outstanding during the period. The effect of common stock equivalents was not considered in the 1994 period because the effect of such options and warrants would have been anti-dilutive.

Average common shares and common equivalent shares utilized were 193,449,000; 157,805,000; and 137,927,000, respectively, for primary earnings per share and 201,495,000; 157,805,000; and 140,796,000, respectively, for fully diluted earnings per share, for the years ended December 31, 1995, 1994 and 1993.

Stock Splits:

On December 7, 1992, the Board of Directors authorized a 3-for-2 stock split in the form of a 50% stock dividend which was distributed on January 14, 1993 to shareholders of record on December 21, 1992. On November 18, 1993, the Board of Directors authorized a 2-for-1 stock split in the form of a 100% stock dividend which was distributed on January 6, 1994, to shareholders of record on December 7, 1993. Upon effectiveness of the Prior Mergers on September 15, 1993, each share of the outstanding common stock of LDDS-TN was converted into the right to receive 0.9595 shares of the Common Stock.

All per share data and numbers of common shares have been retroactively restated to reflect the effect of the stock splits, stock dividends and the exchange ratio of 0.9595.

Cash Equivalents and Short-Term Investments:

The Company considers cash in banks and short-term investments with original maturities of three months or less as cash and cash equivalents. Highly liquid investments with original maturities beyond three months are classified as short-term investments and carried at fair value, which approximates cost. Short-term investments principally consist of tax exempt municipal bonds and corporate bonds.

Recently Issued Accounting Standards:

In March 1995, the Financial Accounting Standards Board ("FASB") issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This Statement is effective for financial statements for fiscal years beginning after December 15, 1995. WorldCom believes that the adoption of this standard will not have a material effect on the Company's consolidated results of operations or financial position.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." This Statement establishes financial accounting and reporting standards for stock-based employee compensation plans and is effective for fiscal years beginning after December 15, 1995. The Company expects to continue to apply the accounting provisions of APB Opinion 25 in determining its net income. However, additional disclosures will be made to disclose the estimated value of compensation expense under the method established by SFAS No. 123.

Use of Estimates:

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

Reclassifications

Certain consolidated financial statement amounts have been reclassified for consistent presentation.

(2) Business Combinations -

On January 5, 1995, WorldCom completed the acquisition of Williams Telecommunications Group, Inc. ("WilTel"), a subsidiary of The Williams Companies, Inc. ("Williams"), for approximately $2.5 billion in cash (the "WilTel Acquisition"). Through this purchase, the Company acquired a nationwide common carrier network of approximately 11,000 miles of fiber optic cable and digital microwave facilities. The funds paid to Williams were obtained by WorldCom under a new credit facility entered into on December 21, 1994. See Note 4.

In 1993, upon effectiveness of the Prior Mergers, each share of the outstanding common stock of LDDS-TN was converted into the right to receive 0.5595 shares of Common Stock. The 500,000 shares of LDDS-TN Series B 6.5% Cumulative Senior Perpetual Convertible Preferred Stock outstanding were converted into 2,000,000 shares of WorldCom Series 2 6.5% Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $25 per share and a conversion price of $11.81171 per share (the "Series 2 Preferred Stock"). As a result of the consummation of the Prior Mergers, Metromedia Company ("Metromedia"), the sole stockholder of MCC, received 2,758,620 shares of the Common Stock, 10,896,785 shares of WorldCom Series 1 $2.25 Cumulative Senior Perpetual Convertible Preferred Stock having a liquidation value of $50 per share and a conversion price of $24.9046875 per share (the "Series 1 Preferred Stock"), warrants to purchase 5,000,400 shares of the Common Stock, and $150.0 million in cash. The common stock of Resurgens was unchanged in the Prior Mergers.

For accounting purposes, LDDS-TN was the survivor because the former shareholders of LDDS-TN acquired majority ownership of the Company. The Prior Mergers have been accounted for as purchases, and the excess purchase price over net tangible assets acquired has been recorded based upon an estimate of fair values of assets acquired and liabilities assumed.

The Company has acquired other long distance companies offering similar or complementary services to those offered by the Company. Such acquisitions have been accomplished through the purchase of the outstanding stock or assets of the acquired entity for cash, notes, shares of the Company's common stock, or a combination thereof. The cash portion of acquisition costs has generally been financed through the Company's bank loan agreements. See Note 4.

Most of the acquisitions have been accounted for as purchases and resulted in an excess of the purchase costs over the net tangible assets acquired. These costs, composed primarily of goodwill, are amortized over 40 years using the straight-line method. The results of those purchased businesses have been included since the dates of acquisition. Business combinations which have been accounted for as poolings-of-interests have been included in all periods presented. The table below sets forth information concerning certain other recent acquisitions which were accounted for as purchases.

Acquired Entity	Acquisition Date	Purchase Price: Cash	Purchase Price: Shares Issued: Number	Purchase Price: Shares Issued: Value	Allocation of Excess Costs Over Tangible Assets Acquired: Customer Acquisition Cost	Allocation of Excess Costs Over Tangible Assets Acquired: Goodwill
		(In thousands)				
Dial-Net, Inc. ("Dial-Net")	March 1993	$ 31,200	2,746	$ 50,095	$ 10,139	$ 91,255
MCC/Resurgens	September 1993	150,000	*	1,097,915	-	1,269,105
TRT Communications, Inc. ("TRT")	September 1993	1,000	6,760	79,000	-	39,000
Williams Telecommunications Group, Inc. ("WilTel")	January 1995	2,500,000	-	-	-	2,216,909

* See the second paragraph of Note 2 for a description of the common and preferred shares and warrants issued.

In addition to those acquisitions listed above, the Company or its predecessors completed several smaller acquisitions during 1993 through 1995.

The following unaudited pro forma combined results of operations for the Company assume that the WilTel Acquisition as well as the 1993 acquisitions of Dial-Net, Resurgens, MCC and TRT were completed on January 1, 1993.

	For the Year Ended December 31,	
	1994	1993
	(In thousands, except per share data)	
Revenues	$3,067,994	$2,631,740
Loss before extraordinary item	(202,933)	(3,385)
Loss applicable to common shareholders	(202,933)	(11,334)
Loss per common share:		
Loss before extraordinary item	(1.29)	(0.02)
Net loss	(1.29)	(0.08)

These pro forma amounts represent the historical operating results of these acquired entities combined with those of the Company with appropriate adjustments which give effect to interest expense, amortization and the common shares issued. These pro forma amounts are not necessarily indicative of operating results which would have occurred if Dial-Net, Resurgens, MCC, TRT and the WilTel Acquisition had been operated by current management during the periods presented because these amounts do not reflect full network optimization and the synergistic effect on operating, selling, general and administrative expenses.

(3) Direct Merger Costs, Restructuring and Other Charges -

Restructuring and Other Charges:

As a result of the IDB Merger, the Company initiated plans to reorganize and restructure its management and operational organization and facilities to eliminate duplicate personnel, physical facilities and service capacity, to abandon certain products and marketing activities, and to take further advantage of the synergies available to the combined entities. Accordingly, the Company charged to operations during the fourth quarter of 1994, the estimated costs of such reorganization and restructuring activities, including employee severance, physical facility abandonment, and duplicate service capacity.

During 1993, plans were approved to reduce IDB's cost structure and to improve productivity. Such plans included a reduction in the number of employees and the disposition of certain assets.

The following table reflects the components of the significant items shown as restructuring and other charges in 1994 and 1993 (in thousands):

	For the Year Ended December 31,	
	1994	1993
Severance costs	$ 18,702	$ 691
Duplicate facilities and other restructuring	13,990	-
Provision for settlement of certain legal issues	8,000	-
Reduction in carrying amount of certain assets	2,423	4,954
Other	589	275
	$ 43,704	$ 5,920

As of December 31, 1995 and 1994, the accompanying consolidated financial statements reflect $5.3 million and $25.8 million, respectively, in accrued restructuring costs and $5.6 million and $14.7 million, respectively, in other long-term liabilities, in connection with the IDB Merger.

Direct Merger Costs:

During 1994, the Company recorded direct merger costs of $15.0 million related to the IDB Merger. These costs included professional fees, proxy solicitation costs, travel and related expenses and certain other direct costs attributable to these mergers.

Provision to Reduce the Carrying Value of Certain Assets:

During 1994 several events occurred which caused the Company to evaluate the realization of its investment in the assets of IDB Broadcast. These events included a proposed but never consummated sale of IDB Broadcast at amounts significantly below book value, and the continued emergence of telecommunications as the core business of IDB (making IDB Broadcast a non-core operation). These factors, combined with broad economic factors adversely impacting broadcast assets in general, have caused a decline in the value of the Company's investment in these assets.

The Company has assessed the impact of these factors relative to its ability to recover the recorded values of these assets, and determined that such values should be reduced. Accordingly, the Company recorded adjustments of $48.5 million, to reduce the carrying value of these

broadcast assets (primarily intangible assets and property and equipment) to the Company's best estimate of the net realizable value. During 1995, the Company sold its simulcasting operations and entered into an agreement to outsource the management of the remaining IDB Broadcast operations.

(4) Long-term Debt -

Long-term debt outstanding consists of the following (in thousands):

	December 31,	
	1995	1994
Reducing revolving credit agreements	$3,171,500	$ 468,850
Convertible subordinated notes	195,500	195,500
Senior notes	-	123,000
Other debt (maturing through 2000)	24,281	6,651
	3,391,281	794,001
Less: Short-term debt and current maturities	1,112,853	5,996
	$2,278,428	$ 788,005

In December 1994, WorldCom entered into new credit facilities to finance the WilTel Acquisition, refinance WorldCom's existing credit facilities and provide additional working capital. The credit facility is comprised of a $2.16 billion, six-year reducing revolving credit facility (the "Revolving Facility Commitment") and a $1.25 billion, two-year term facility (the "Term Principal Debt"). The maximum principal amount permitted to be outstanding under the Revolving Facility Commitment will be reduced at the end of each fiscal quarter, commencing September 30, 1996, in varying amounts, and the outstanding balance must be paid in full on December 31, 2000. The Term Principal Debt matures in a single installment on December 31, 1996. The Revolving Facility Commitment and the Term Principal Debt bear interest, payable quarterly, at variable rates selected by the Company, under the terms of the credit facilities. The Company is permitted to choose from several interest rate options including: a Base Rate plus applicable margin, the London Interbank Offering Rate ("LIBOR") plus applicable margin, or, for the Revolving Facility Commitment only, any Competitive Bid Rate. The applicable margin varies from 0% to 3/8% for Base Rate Borrowings and 1/2% to 1.5% for LIBOR Rate Borrowings from time to time based upon the lower of a specified financial test or WorldCom's long-term debt rating. The credit facility is unsecured and requires compliance with certain financial and other operating covenants which limit, among other things, the incurrence of additional indebtedness by WorldCom and restricts the payment of cash dividends to WorldCom's shareholders. The credit facility is also subject to an annual commitment fee not to exceed 0.375% of any unborrowed portion of the credit facility.

The $3.41 billion credit facility was utilized by the Company on January 5, 1995, in conjunction with the WilTel Acquisition and all debt outstanding under WorldCom's previous credit facilities and the $123.0 million in senior notes was repaid. For the year ended December 31, 1995, the weighted average interest rate under the credit facilities was 7.3%. The aggregate principal repayments and reductions required in each of the years ending December 31, 1995 through December 31, 2000 and thereafter are as follows (in thousands):

1996	$1,112,853
1997	300,868
1998	513,738
1999	500,783
2000	767,539
Thereafter	195,500
	$3,391,281

In February 1995, in the event of rising interest rates, the Company entered into financial hedging agreements with various financial institutions, in connection with requirements under the credit facility. The hedging agreements establish capped fixed rates of interest ranging from 8.25% to 8.3125% on an aggregate notional value of $1.7 billion. If interest rates do not reach this cap, the Company's interest rate remains variable. These contracts range in duration from one to two years with $845.4 million maturing in each of the years ending 1996 and 1997. The $845.4 million which matured in 1996 was replaced with a hedging agreement which caps the fixed rate of interest at 7.43% and matures in 1997.

On August 20, 1993, IDB issued $195.5 million of convertible subordinated notes (the "Notes"), proceeds of which were approximately $189.6 million net of direct fees and expenses. Interest on the Notes is payable semiannually on February 15 and August 15 of each year at an interest rate of 5% per annum. The Notes are convertible at the option of the holder at anytime prior to maturity into WorldCom Common Stock at approximately $38.07 per share. The Notes include certain anti-dilution rights and rights with regard to certain changes in control. At its option, the Company may redeem the Notes at any time after August 1996, but will incur a redemption premium which ranges from 103.5% in 1996 declining to 100% on the maturity date. The Notes mature and are due in full on August 15, 2003.

IDB used the proceeds of this issue, together with the proceeds of a May 1993 common stock issuance to repay and defease substantially all of its then existing debt. The repayment and defeasance of this debt resulted in an extraordinary charge of $7.9 million, net of income tax benefit of $5.6 million, which represents payment of debt redemption premiums and the write-off of unamortized debt issuance costs.

(5) Preferred Stock -

As a result of the Prior Mergers, 10,896,785 shares of the Series 1 Preferred Stock were issued to Metromedia, the sole stockholder of MCC. Also in 1993, the IDB convertible preferred stock issued in connection with the acquisition of World Communications, Inc. was converted into common stock of IDB.

In May 1992, the Company issued 500,000 shares of no par, 6.5% cumulative senior perpetual convertible preferred stock for $50 million. The net proceeds of the issue ($46.6 million after issuance costs) were used to reduce outstanding indebtedness. These shares were converted into 2,000,000 shares of the Series 2 Preferred Stock upon effectiveness of the Prior Mergers.

The Series 2 Preferred Stock has a liquidation value of $25 per share, a conversion price of $11.81171 per share and pays dividends at the rate of 6.5% annually, payable quarterly. There is no established public trading market for the Series 2 Preferred Stock. Except under certain circumstances, the Series 2 Preferred Stock may not be redeemed by the Company prior to June 5, 1996. Thereafter, the Series 2 Preferred Stock may be redeemed in whole or in part in integral multiples of $10.0 million, at prices which include premiums over the liquidation preference of $25 per share, which prices range from 108% in 1996 declining to 100% on and after June 5, 2002.

In March 1996, the Company's Board of Directors approved a resolution authorizing the Company to redeem on June 5, 1996 or such later date as the president of the Company may determine, all outstanding shares of the Series 2 Preferred Stock, including all accrued and unpaid dividends thereon.

In August 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of WorldCom Common Stock. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

The holders of the Series 2 Preferred Stock generally have the right to vote together as a single class with holders of Common Stock based on one vote for each share of Common Stock issuable upon conversion of the respective series of preferred stock. The approval of the holders of two-thirds of the shares of Series 2 Preferred Stock is required for certain extraordinary transactions or, alternatively, such shares must be redeemed at a specified premium.

(6) Leases and Other Commitments -

The Company leases office facilities and certain equipment under noncancellable operating leases having initial or remaining terms of more than one year. In addition, the Company leases a right-of-way from a railroad company under a fifteen-year lease with three fifteen-year renewal options. Rental expense under these operating leases was $45.1 million, $30.9 million, and $29.9 million in 1995, 1994 and 1993, respectively.

In prior years, WilTel sold to independent entities and leased back its microwave system and its Kansas City to Los Angeles fiber optic system over primary lease terms ranging from 15 to 20 years. The leases have renewal options permitting the Company to extend the leases for terms expiring during the years 2012 to 2019 and purchase options based upon the fair market value. The annual lease commitments pursuant to the sale-leaseback are included below under the heading Telecommunication Facilities.

At the end of 1995, minimum lease payments under noncancellable operating leases and commitments were as follows (in thousands):

	Minimum Lease Payments		
Year	Office Facilities and Equipment	Telecommunication Facilities	Total
1996	$ 43,442	$ 53,963	$ 97,405
1997	37,539	37,495	75,034
1998	33,904	35,519	69,423
1999	28,962	29,792	58,754
2000	22,047	29,519	51,566

Certain of the Company's facility leases include renewal options, and all leases include provisions for rent escalation to reflect increased operating costs and/or require the Company to pay certain maintenance and utility costs.

WorldCom also has agreements with a company that installs, operates and maintains certain WorldCom data processing, telecommunications and billing systems. The agreements expire in 2000 and are renewable on an annual basis thereafter. The agreements require minimum annual payments of approximately $16.6 million.

During 1995, the Company amended WilTel's existing $80.0 million receivables purchase agreement to include certain additional receivables and received additional proceeds of $215.4 million. The Company used these proceeds to reduce the outstanding debt under the Company's credit facilities and provide additional working capital. As of December 31, 1995, the purchaser owned an undivided interest in $608.9 million pool of receivables which includes the $295.4 million sold. The aggregate purchase limit under this agreement was $300.0 million at December 31, 1995.

(7) Contingencies -

IDB Related Investigations. On June 9, 1994, the SEC issued a formal order of investigation concerning certain matters, including IDB's financial position, books and records and internal controls and trading in IDB securities on the basis of non-public information. The SEC has issued subpoenas to WorldCom, IDB and others, including certain former officers of IDB, in connection with its investigation. The NASD and other self-regulatory bodies have also made inquiries of IDB concerning similar matters.

The U.S. Attorney's Office for the Central District of California has issued grand jury subpoenas to IDB seeking documents relating to IDB's first quarter of 1994 results, the Deloitte & Touche LLP resignation, trading in IDB securities and other matters, including information concerning certain entities in which certain former officers of IDB are personal investors and transactions between such entities and IDB. IDB has been informed that a criminal investigation has commenced. The U.S. Attorney's Office has issued a grand jury subpoena to WorldCom arising out of the same investigation seeking certain documents relating to IDB.

AT&T Patents. AT&T has claimed that a number of long distance carriers, including the Company, make unauthorized use of AT&T patents in the provision of some of the carrier's long distance services. Effective December 15, 1995, the Company and AT&T entered into a two year patent licensing agreement which, among other things, released all claims by AT&T against the Company relating to any alleged patent infringement.

Other. On February 8, 1996, President Clinton signed legislation that: will, without limitation, permit the BOCs to provide domestic and international long distance services upon a finding by the FCC that the petitioning BOC has satisfied certain criteria for opening up its local exchange network to competition and that its provision of long distance services would further the public interest; removes existing barriers to entry into local service markets; significantly changes the manner in which carrier-to-carrier arrangements are regulated at the federal and state level; establishes procedures to revise universal service standards; and, establishes penalties for unauthorized switching of customers. The Company cannot predict the effect such legislation will have on the Company or the industry. However, the Company believes that it is positioned to take advantage of business opportunities in the rapidly changing telecommunications market.

The Company is involved in other legal and regulatory proceedings generally incidental to its business. In some instances, rulings by regulatory authorities in some states may result in increased operating costs to the Company.

While the results of these various legal and regulatory matters contain an element of uncertainty, the Company believes that the probable outcome of any of the legal or regulatory matters, or all of them combined, should not have a material adverse effect on the Company's consolidated results of operations or financial position.

(8) Employee Benefit Plans -

Stock Option Plans:

The Company has several stock option plans under which options to acquire up to 30.3 million shares may be granted to directors, officers and certain employees of the Company. Terms and conditions of the Company's options, including exercise price and the period in which options are exercisable, generally are at the discretion of the Compensation and Stock Option Committee of the Board of Directors; however, no options are exercisable for more than 10 years after date of grant. As of December 31, 1995, 24.8 million options had been granted under these plans, and 5.1 million options were fully exercisable.

Additional information regarding options and warrants granted and outstanding is summarized below:

	Number of Options		Exercise Price
Balance, December 31, 1992	7,787,354	$	0.29 - $10.85
Granted to employees/directors	2,665,875		17.46 - 30.13
Assumed in connection with acquisition	5,986,934		1.76 - 8.00
Granted in connection with acquisition	5,200,400		7.75 - 23.25
Exercised	(5,650,547)		1.45 - 17.46
Expired or canceled	(28,571)		0.29 - 26.46
Balance, December 31, 1993	15,961,445		0.59 - 30.13
Granted to employees/directors	1,750,710		17.75 - 19.25
Granted in connection with acquisition	61,550		22.02 - 23.00
Exercised	(3,209,233)		0.59 - 17.88
Expired or canceled	(167,417)		1.76 - 8.00
Balance, December 31, 1994	14,397,055		0.59 - 30.13
Granted to employees/directors	6,431,438		20.69 - 33.88
Granted in connection with acquisition	1,152,002		18.39 - 21.91
Exercised	(9,482,517)		0.59 - 30.13
Expired or canceled	(895,890)		3.17 - 30.13
Balance, December 31, 1995	11,602,088	$	0.67 - $33.88

401(k) Plans:

The Company and its subsidiaries offer its qualified employees the opportunity to participate in one of its defined contribution retirement plans qualifying under the provisions of Section 401(k) of the Internal Revenue Code. Each employee may contribute on a tax deferred basis a portion of annual earnings not to exceed $9,240. The Company matches individual employee contributions up to a maximum level which in no case exceeds 6% of the employee's compensation.

Expenses recorded by the Company relating to its 401(k) plans were $3.6 million, $3.1 million, and $2.2 million for the years ended December 31, 1995, 1994, and 1993, respectively.

(9) Income Taxes -

The Company accounts for income taxes in accordance with SFAS No. 109 "Accounting for Income Taxes." When SFAS No. 109 was adopted, the cumulative effect of this change in accounting principle was not material to the Company.

The provision for income taxes is composed of the following (in thousands):

	1995	1994	1993
Current	$ (336)	$48,855	$ 32,340
Deferred	171,463	24,961	53,259
Total provision for income taxes	$171,127	$73,816	$ 85,599

The following is a reconciliation of the provisions for income taxes to the expected amounts using the statutory rate:

	1995	1994	1993
Expected statutory amount	35.0%	(35.0)%	35.0 %
Nondeductible amortization of excess of cost over net tangible assets acquired	4.5	37.1	3.8
State income taxes	2.9	5.7	2.0
Effect of Company Owned Life Insurance	(0.4)	(3.4)	(0.6)
Direct merger, restructuring and other charges	-	20.7	-
Writedown of assets	-	26.1	-
Valuation allowance	(1.6)	96.6	-
Other	(1.4)	4.9	0.6
Actual tax provision	39.0%	152.7 %	40.8 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes and the impact of available net operating loss carryforwards.

At December 31, 1995, the Company had unused net operating loss ("NOL") carryforwards of approximately $447.0 million which expire in various amounts during the years 2000 through 2009. These NOL carryforwards which include $90.0 million generated by IDB in 1994 are primarily attributable to the preacquisition operations of acquired companies. These NOL carryforwards result in a deferred tax asset of approximately $168.1 million at December 31, 1995. A valuation allowance of $101.7 million has been established related to deferred tax assets due to the uncertainty of realizing the full benefit of the NOL carryforwards. In evaluating the amount of valuation allowance needed, the Company considers the acquired companies' prior operating results and future plans and expectations. The utilization period of the NOL carryforwards and the turnaround period of other temporary differences are also considered.

Approximately $168.1 million of the Company's deferred tax assets are related to preacquisition NOL carryforwards or temporary differences attributable to entities acquired in transactions accounted for as purchases. Accordingly, any future reductions in the valuation allowance related to such deferred tax assets will result in a corresponding reduction in goodwill. If, however, subsequent events or conditions dictate an increase in the valuation allowance attributable to such deferred tax assets, income tax expense for the period of the increase will be increased accordingly.

The following is a summary of the significant components of the Company's deferred tax assets and liabilities as of December 31, 1995 and 1994 (in thousands).

	December 31,			
	1995		1994	
	Assets	Liabilities	Assets	Liabilities
Allowance for bad debts	$ 22,767	$ -	$ 7,740	$ -
Fixed assets	-	(56,129)	-	(35,926)
Intangible assets	-	(30,777)	-	-
Leases	3,796	-	3,981	-
Line installation costs	-	(13,303)	-	(10,817)
Accrued liabilities	6,790	-	19,164	-
NOL carryforwards	168,057	-	192,309	-
Restructuring and other charges	-	-	11,339	-
Other	3,093	(11,888)	10,604	(8,571)
	204,503	(112,097)	245,137	(55,314)
Valuation allowance	(101,679)	-	(113,016)	-
	$ 102,824	$(112,097)	$ 132,121	$ (55,314)

In 1995, the valuation allowance decreased by $11.3 million due to the Company's ability to utilize net operating losses that management had previously determined would not be utilized under a "more likely than not" scenario. This is mainly attributable to the profitability of individual operating units in 1995. Accordingly, the valuation allowance was reduced resulting in reductions to goodwill and the provision for income taxes of $4.3 million and $7.0 million, respectively.

(10) Supplemental Disclosure of Cash Flow Information -

Interest paid by the Company during the years ended December 31, 1995, 1994 and 1993 amounted to $224.3 million, $48.5 million, and $35.7 million, respectively. Income taxes paid, net of refunds, during the years ended December 31, 1995, 1994 and 1993 were $7.3 million, $12.8 million, and $10.6 million, respectively.

In conjunction with business combinations during the years ended December 31, 1995, 1994, and 1993 (see Note 2), assets acquired, liabilities assumed and common stock issued were as follows (in thousands):

	December 31,		
	1995	1994	1993
Fair value of assets acquired	$ 805,482	$ 13,522	$ 503,449
Excess of cost over net tangible assets acquired	2,301,567	157,934	1,401,290
Liabilities assumed	(327,844)	(62,322)	(389,961)
Common and treasury stock issued	(12,850)	(17,384)	(1,230,381)
Cash paid	$2,766,355	$ 91,750	$ 284,397

(11) Unaudited Quarterly Financial Data -

	Quarter Ended							
	March 31,		June 30,		September 30,		December 31,	
	1995	1994	1995	1994	1995	1994	1995	1994
	(in thousands, except per share data)							
Revenues	$865,035	$523,895	$894,719	$555,318	$933,560	$568,558	$946,561	$572,994
Operating income (loss)	150,538	76,313	162,755	56,748	177,811	25,062	184,944	(88,385)
Net income (loss)	53,963	40,091	61,815	19,812	72,613	(111,756)	79,269	(70,305)
Preferred dividend requirement	6,939	6,938	6,936	6,952	3,811	6,938	505	6,938
Special dividend payment to Series 1 preferred shareholder	-	-	-	-	15,000	-	-	-
Earnings (loss) per common share:								
Primary	$0.28	$0.20	$0.33	$0.08	$0.29	($0.75)	$0.40	($0.49)
Fully diluted	0.28	0.20	0.32	0.08	0.29	(0.75)	0.40	(0.49)
Earnings (loss) per common share before special dividend payment to Series 1 preferred shareholder:								
Primary	$0.28	$0.20	$0.33	$0.08	$0.37	($0.75)	$0.40	($0.49)
Fully diluted	0.28	0.20	0.32	0.08	0.37	(0.75)	0.40	(0.49)

In August 1995, Metromedia converted its Series 1 Preferred Stock into 21,876,976 shares of WorldCom Common Stock. In connection with the preferred stock conversion, WorldCom made a non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

In the fourth quarter of 1994, the Company undertook restructuring and reorganizational activities in connection with the IDB Merger. As a result, direct merger costs of $15.0 million and restructuring charges of $43.7 million were charged to operations. See Note 3.

In the third quarter of 1994, the Company recorded a $76.0 million charge related to a shareholder litigation settlement. See Note 7. Also, in the third and fourth quarters of 1994, the Company recorded adjustments of $35.0 million and $13.5 million, respectively, related to the write-down of certain IDB Broadcast assets. See Note 3.

WORLDCOM, INC.

SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS
(In Thousands)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: From Purchase Transactions	Deductions Accounts Written Off	Balance at End of Period
Allowance for doubtful accounts:					
Accounts Receivable					
1995	$52,949	$39,175	$22,042	$56,186	$57,980
1994	26,613	58,952	1,090	33,706	52,949
1993	12,338	25,231	26,750	37,706	26,613

Exhibit 11.1

WORLDCOM, INC. AND SUBSIDIARIES
COMPUTATION OF PER SHARE EARNINGS
(In thousands, except per share data)

	For the Year Ended December 31,		
	1995	1994	1993
Primary:			
Weighted average shares outstanding	173,333	157,805	132,986
Common stock equivalents	4,912	-	4,941
Common stock issuable upon conversion of:			
Series 1 preferred stock	14,089	-	-
Series 2 preferred stock	1,115	-	-
	193,449	157,805	137,927
Income (loss) applicable to common shareholders before extraordinary item	$ 234,469	$ (149,924)	$ 112,638
Add back:			
Dividend paid on Series 1 preferred stock conversions	15,312	-	-
Dividend paid on Series 2 preferred stock conversions	858	-	-
Primary income (loss) applicable to common shareholders before extraordinary item	$ 250,639	$ (149,924)	$ 112,638
Extraordinary item	-	-	(7,949)
Primary income (loss) applicable to common shareholders before special dividend	$ 250,639	$ (149,924)	$ 104,689
Special dividend payment on Series 1 preferred stock conversion	15,000	-	-
Primary income (loss) applicable to common shareholders	$ 265,639	$ (149,924)	$ 104,689
Primary earnings (loss) per share:			
Net income (loss) before extraordinary item	$ 1.30	$ (0.95)	$ 0.82
Extraordinary item	$ -	$ -	$ (0.06)
Net income (loss)	$ 1.30	$ (0.95)	$ 0.76
Before special dividend payment to Series 1 preferred shareholder	$ 1.37	$ (0.95)	$ 0.76
Fully diluted:			
Weighted average shares outstanding	173,333	157,805	132,986
Common stock equivalents	5,190	-	7,810
Common stock issuable upon conversion of:			
5% convertible notes	5,135	-	-
Series 1 preferred stock	14,089	-	-
Series 2 preferred stock	3,748	-	-
	201,495	157,805	140,796
Income (loss) applicable to common shareholders before extraordinary item	$ 234,469	$ (149,924)	$ 112,638
Add back:			
Interest on 5% convertible notes, net of taxes	5,963	-	-
Series 1 preferred dividend requirement	15,312	-	-
Series 2 preferred dividend requirement	2,879	-	-
Fully diluted income (loss) applicable to common shareholders before extraordinary item	$ 258,623	$ (149,924)	$ 112,638
Extraordinary item	-	-	(7,949)
Fully diluted income (loss) applicable to common shareholders before special dividend	$ 258,623	$ (149,924)	$ 104,689
Special dividend payment on Series 1 preferred stock conversion	15,000	-	-
Fully diluted income (loss) applicable to common shareholders	$ 273,623	$ (149,924)	$ 104,689
Fully diluted earnings (loss) per share:			
Net income (loss) before extraordinary item	$ 1.28	$ (0.95)	$ 0.80
Extraordinary item	$ -	$ -	$ (0.06)
Net income (loss)	$ 1.28	$ (0.95)	$ 0.74
Before special dividend payment to Series 1 preferred shareholder	$ 1.36	$ (0.95)	$ 0.74

Exhibit 12.1

WORLDCOM, INC. AND SUBSIDIARIES
Computation of Ratio of Earnings to Combined Fixed
Charges and Preferred Stock Dividends
(In Thousands of Dollars)

	Year Ended December 31,				
	1991	1992	1993	1994	1995
Earnings:					
Pretax income (loss) from continuing operations	$ 65,646	$ 20,401	$ 198,237	$ (76,108)	$ 405,596
Fixed charges, net of capitalized interest	38,116	38,720	58,999	87,455	300,094
Earnings	$ 103,762	$ 59,121	$ 257,236	$ 11,347	$ 705,690
Fixed charges:					
Interest expense	$ 31,595	$ 30,311	$ 35,557	$ 47,303	$ 249,062
Interest capitalized	2,900	3,504	3,100	1,900	4,883
Amortization of financing costs	1,018	1,464	1,792	2,086	2,811
Interest factor of rent expense	5,503	4,833	9,967	10,300	15,030
Preferred dividend requirements	-	2,112	11,683	27,766	33,191
Fixed charges	$ 41,016	$ 42,224	$ 62,099	$ 89,355	$ 304,977
Deficiency of earnings to fixed charges	$ -	$ -	$ -	$ (78,008)	$ -
Ratio of earnings to combined fixed charges and preferred stock dividends	2.53:1	1.40:1	4.14:1	0.13:1	2.31:1

See notes to computation of ratio of earnings to combined fixed charges and preferred stock dividends.

Notes to Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

(1) On January 5, 1995, the Company completed the acquisition of Williams Telecommunications Group, Inc. for approximately $2.5 billion in cash which was accounted for as a purchase.

(2) As a result of the mergers with IDB Communications Group, Inc. (the "IDB Merger") and Advanced Telecommunications Corporation (the "ATC Merger"), the Company initiated plans to reorganize and restructure its management and operational organization and facilities to eliminate duplicate personnel, physical facilities and service capacity, to abandon certain products and marketing activities, and to further take advantage of the synergy available to the combined entities. Also, during the fourth quarter of 1993, plans were approved to reduce IDB Communications Group, Inc.'s cost structure and to improve productivity. Accordingly, in 1994, 1993 and 1992, the Company charged to operations the estimated costs of such reorganization and restructuring activities, including employee severance, physical facility abandonment and duplicate service capacity. These costs totaled $43.7 million in 1994, $5.9 million in 1993 and $79.8 million in 1992.

Also, during 1994 and 1992, the Company incurred direct merger costs of $15.0 million and $7.3 million, respectively, related to the IDB Merger (in 1994) and the ATC Merger (in 1992). These costs include professional fees, proxy solicitation costs, travel and related expenses and certain other direct costs attributable to these mergers.

(3) In connection with certain debt refinancing, the Company recognized in 1993 and 1992 extraordinary items of approximately $7.9 million and $5.8 million, respectively, net of income taxes, consisting of unamortized debt discount, unamortized issuance cost and prepayment fees.

(4) In the third quarter of 1995, Metromedia Company ("Metromedia") converted its Series 1 Preferred Stock into 21,876,976 shares of WorldCom common stock and exercised warrants to acquire 3,106,976 shares of WorldCom common stock and immediately sold its position of 30,849,548 shares of WorldCom common stock in a public offering. In connection with the preferred stock conversion, WorldCom made a one-time non-recurring payment of $15.0 million to Metromedia, representing a discount to the minimum nominal dividends that would have been payable on the Series 1 Preferred Stock prior to the September 15, 1996 optional call date of approximately $26.6 million (which amount includes an annual dividend requirement of $24.5 million plus accrued dividends to such call date).

Exhibit 21.1

SUBSIDIARIES OF WORLDCOM, INC.[1]

Name of Subsidiary	Jurisdiction of Incorporation	Trade Name
Biz-Tel Corporation	Florida	LDDS WorldCom
Com Systems, Inc.	California	
Digital Communications of America, Inc.	Oklahoma	Digital Communications
GridNet, L.L.C.	Oklahoma	
Healan Communications, Inc.	Georgia	Healan Communications
IDB Communications Group Limited	United Kingdom	
IDB Media Group, Inc.	Delaware	
IDB WorldCom, Inc. f/k/a IDB Communications Group, Inc.	Delaware	IDB WorldCom
IDB WorldCom Services, Inc. f/k/a TRT/FTC Communications	Delaware	WSI, TRT/FTC Communications
ITC Tele-services, Inc.	Washington	Impact
International Computer Systems, Inc.	Virginia	ICS, ICS Information Technologies
LDDS Corporation	Delaware	
Military Communications Center, Inc.	Delaware	MCC, Military Communications
Ocean Satellite Television, Inc.	Florida	
TC WorldCom AG	Switzerland	
TRT/FTC Communications Limited	United Kingdom	
Touch 1 Long Distance, Inc.	Alabama	LDDS WorldCom
Transcall America, Inc.	Georgia	LDDS WorldCom
Virginia WorldCom, Inc.	Virginia	
WorldCom Caribbean, Inc.	New York	
WorldCom Federal Systems, Inc.	Delaware	
WorldCom International, Inc.	Delaware	
WorldCom Network Services, Inc.	Delaware	WilTel, WilTel Network Services
WorldCom Telecommunications Services, GmbH	Germany	WorldCom Germany

[1] Excludes all inactive subsidiaries, all of which, when considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" within the meaning of Rule 1-02(v) of Regulation S-X.

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in the Form 10-K, into the Company's previously filed Registration Statements on Form S-8 (File Nos. 33-52168, 33-69322, 33-71450, and 33-89072) and Form S-3 (File Nos. 33-63810, 33-67340, 33-69122, 33-71510, 33-71516, 33-67514, 33-77964, 33-87516 and 33-58719).

ARTHUR ANDERSEN LLP

Jackson, Mississippi
March 28, 1996

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-63810, 33-67340, 33-71510, 33-87514, 33-77964, 33-69122, 33-71516, 33-87516 and 33-58719 on Form S-3 and Registration Statement Nos. 33-52168, 33-69322, 33-71450 and 33-89072 on Form S-8 of WorldCom, Inc. and Subsidiaries ("WorldCom") of our report dated March 7, 1994 on the consolidated financial statements of IDB Communications Group, Inc. appearing in the Annual Report of WorldCom for the year ended December 31, 1995.

Deloitte & Touche LLP

Los Angeles, California
March 29, 1996

KELLEY DRYE & WARREN

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

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April 22, 1996

Ms. Blanca Bayo
Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0864

960521-TI

Re: Application of TTI National, Inc. and Target Telecom, Inc.

Dear Ms. Bayo:

Enclosed for filing with the Florida Public Service Commission please find an original and 12 copies of the application of Target Telecom, Inc. ("Target") and TTI National, Inc. ("TTI"), a wholly-owned subsidiary of LDDS WorldCom, for authority to transfer Target's Certificate of Public Convenience and Necessity to TTI. Enclosed please also find a check in the amount of $250.00 for the filing fee, a diskette, a duplicate of this filing and a self-addressed stamped envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided.

Please do not hesitate to contact me at (202) 955-9883 if you have any questions.

Very truly yours,

Marieann Zochowski

Marieann K. Zochowski

APR 23 ... RECEI...

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2300 M STREET, NW.
WASHINGTON, DC 20037

1ST AMERICAN BANK
FIRST AMERICAN BANK, N.A.
WASHINGTON, DC 20005

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4/9/96

PAY TO THE ORDER OF Florida Public Service Commission $ 250.00

Two Hundred Fifty And No/100-- DOLLARS

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