

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

Filing Date: **1996-08-26** | Period of Report: **1996-08-25**  
SEC Accession No. **0000899140-96-000406**

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### FILER

#### **WORLDCOM INC /MS/**

CIK: **723527** | IRS No.: **581521612** | State of Incorpor.: **GA** | Fiscal Year End: **1231**  
Type: **8-K** | Act: **34** | File No.: **000-11258** | Film No.: **96620748**  
SIC: **4813** Telephone communications (no radiotelephone)

Business Address  
*515 EAST AMITE ST  
JACKSON MS 39201-2702  
6013608600*

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 25, 1996

WORLDCOM, INC.  
(Exact name of registrant as specified in charter)

Georgia  
(State or other  
jurisdiction of  
incorporation)

0-11258  
(Commission File  
Number)

58-1521612  
(IRS 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

Not Applicable  
(Former name or former address, if changed from last report)

## Item 5. Other Events

On August 25, 1996, WorldCom, Inc. (the "Company") executed an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which a wholly owned subsidiary of the Company (the "Acquisition Subsidiary") will be merged with and into MFS Communications Company, Inc. ("MFS"), a Delaware corporation (the "Merger"). Pursuant to the Merger Agreement, (i) each share of Common Stock of MFS will be converted into and represent the right to receive 2.1 shares of common stock, par value \$.01 per share, of the Company, (ii) each share of Series A 8% Cumulative Convertible Preferred Stock, par value \$.01 per share, of MFS will be converted into and represent the right to receive one (1) share of Series A 8% Cumulative Convertible Preferred Stock, par value \$.01 per share, of the Company, and (iii) each share of Series B Convertible Preferred Stock, par value \$.01 per share, of MFS will be converted into and represent the right to receive one (1) share of Series B Convertible Preferred Stock, par value \$.01 per share, of the Company. The parties have agreed that the structure of the Merger may, by mutual agreement, be modified such that in lieu of the Acquisition Subsidiary merging with and into MFS, MFS may merge with and into WorldCom, or such other structure as the parties may agree to implement. The description of the Merger Agreement contained herein is qualified in its entirety by reference to the Merger Agreement, which is attached hereto as Exhibit 2.1 and is incorporated herein by reference.

On August 25, 1996, the Company and MFS entered into an agreement (the "Services Agreement") pursuant to which, in the event the Merger Agreement is terminated under certain specified circumstances, the party terminating the Merger Agreement will be entitled to receive from the other party certain telecommunications services. The description of the Services Agreement contained herein is qualified in its entirety by reference to the Services Agreement, which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

On August 25, 1996, pursuant to Stock Option Agreements, dated as of August 25, 1996, between the Company and MFS (the "Option Agreements"), the Company granted an option to MFS to purchase up to 81,224,137 or approximately 19.9% of the currently outstanding shares of Common Stock of the Company with an exercise price of \$26.375 per share and MFS granted an option to WorldCom to purchase up to 43,953,073 or approximately 19.9% of the currently outstanding shares of common stock of MFS with an exercise price of \$55.3875 per share, which options become exercisable upon the occurrence of certain events. The description of the Option Agreements contained herein is qualified in its entirety by reference to the Option Agreements, which are attached hereto as Exhibit 2.2 and Exhibit 99.1, respectively, and are incorporated herein by reference.

On August 26, 1996, the Company and MFS issued a press release

relating to the execution of the Merger Agreement. A copy of the press release is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

Item 7. Financial Statements and Exhibits

(a) Financial Statements of businesses acquired:

None.

(b) Pro Forma financial information:

None.

(c) Exhibits:

2.1 Agreement and Plan of Merger, dated as of August 25, 1996, among WorldCom, Inc., a Georgia corporation ("WorldCom"), HIJ Corp., a Delaware corporation and a wholly owned subsidiary of WorldCom, and MFS Communications Company, Inc., a Delaware corporation.\*

2.2 Stock Option Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc.

10.1 Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc.

99.1 Stock Option Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc.

99.2 Press Release of WorldCom, Inc. and MFS Communications Company, Inc., dated August 26, 1996.

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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.

## SIGNATURES

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

WORLDCOM, INC.

/s/ Charles T. Cannada  
Charles T. Cannada  
Senior Vice President

August 25, 1996

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## EXHIBIT INDEX

### Exhibit

- 2.1 Agreement and Plan of Merger, dated as of August 25, 1996, among WorldCom, Inc., a Georgia corporation ("WorldCom"), HIJ Corp., a Delaware corporation and a wholly owned subsidiary of WorldCom and MFS Communications Company, Inc., a Delaware corporation.
- 2.2 Stock Option Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc.
- 10.1 Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc.
- 99.1 Stock Option Agreement, dated as of August 25, 1996, between WorldCom, Inc. and MFS Communications Company, Inc.

99.2 Press Release of WorldCom, Inc. and MFS Communications Company, Inc.,  
dated August 26, 1996

AGREEMENT AND PLAN OF MERGER

By and Among

WorldCom, Inc.,

HIJ Corp.

and

MFS Communications Company, Inc.

Dated As Of

August 25, 1996

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AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (the "Agreement") is made and entered into as of August 25, 1996, by and among WorldCom, Inc., a Georgia corporation ("WorldCom"), HIJ Corp., a Delaware corporation and wholly owned subsidiary of WorldCom ("Acquisition Subsidiary"), and MFS Communications Company, Inc., a Delaware corporation ("MFS").

Recitals

A. The respective Boards of Directors of MFS, Acquisition Subsidiary and WorldCom have approved the merger (the "Merger") of Acquisition Subsidiary with and into MFS in accordance with the laws of the State of Delaware and the provisions of this Agreement.

B. MFS, Acquisition Subsidiary and WorldCom desire to make certain representations, warranties and agreements in connection with, and establish various conditions precedent to, the Merger.

C. As a condition and inducement to WorldCom and Acquisition Subsidiary entering into this Agreement, concurrently with the execution and delivery of this Agreement, MFS has granted an option to WorldCom to purchase common stock of MFS pursuant to a Stock Option Agreement with WorldCom (the



"MFS Option Agreement").

D. As a condition and inducement to MFS entering into this Agreement, concurrently with the execution and delivery of this Agreement, WorldCom has granted an option to MFS to purchase common stock of WorldCom pursuant to a Stock Option Agreement with MFS (the "WorldCom Option Agreement").

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements hereinafter set forth, the parties hereto agree as follows:

ARTICLE I  
TERMS OF THE MERGER

1.1 The Merger. Upon the terms and subject to the conditions of this Agreement, the Merger shall be consummated in accordance with the Delaware General Corporation Law (the "Delaware Code"). At the Effective Time (as defined in Section 1.2, below), upon the terms and subject to the conditions of this Agreement, Acquisition Subsidiary shall be merged with and into MFS in accordance with the Delaware Code and the separate existence of Acquisition Subsidiary shall thereupon cease, and MFS, as the surviving corporation in the Merger (the "Surviving Corporation"), shall continue its corporate existence under the laws of the State of Delaware as a subsidiary of WorldCom. The parties shall prepare and execute a certificate of merger (the

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"Certificate of Merger") in order to comply in all respects with the requirements of the Delaware Code and with the provisions of this Agreement.

1.2 Effective Time. The Merger shall become effective at the time of the filing of the Certificate of Merger with the Secretary of State of

Delaware in accordance with the applicable provisions of the Delaware Code or at such later time as may be specified in the Certificate of Merger. The Certificate of Merger shall be filed as soon as practicable after all of the conditions set forth in this Agreement have been satisfied or waived by the party or parties entitled to the benefit of the same. WorldCom and MFS shall mutually determine the time of such filing and the place where the closing of the Merger (the "Closing") shall occur. The time when the Merger shall become effective is herein referred to as the "Effective Time" and the date on which the Effective Time occurs is herein referred to as the "Closing Date."

1.3 Merger Consideration. (a) Subject to the provisions of this Agreement and any applicable backup or other withholding requirements, each of the issued and outstanding shares (the "MFS Shares") of common stock, par value \$.01 per share, of MFS (the "MFS Common Stock"), together with the associated preferred stock purchase rights issued under the MFS Rights Agreement (as hereinafter defined) (the "MFS Rights"), as of the Effective Time shall be converted into the right to receive, and there shall be paid and issued as hereinafter provided, in exchange for each of the MFS Shares and MFS Rights, 2.1 shares (the "Exchange Ratio") of the common stock of WorldCom, par value \$.01 per share, together with the associated preferred stock purchase rights issued under the WorldCom Rights Agreement (as hereinafter defined) (the "WorldCom Stock"), subject to payment of cash in lieu of any fractional share as hereinafter provided (the "Merger Consideration"). The Exchange Ratio shall be subject to appropriate adjustment in the event of a stock split, stock dividend or recapitalization after the date of this Agreement applicable to shares of the WorldCom Stock or the MFS Common Stock.

(b) Subject to the provisions of this Agreement and any applicable backup or other withholding requirements, each of the issued and outstanding shares (the "MFS Preferred Shares") of Series A Preferred (as hereinafter defined) and Series B Preferred (as hereinafter defined) (other than any Dissenting Shares (as hereinafter defined)), as of the Effective Time shall be converted into the right to receive and there shall be paid and issued as hereinafter provided, in exchange for each share of Series A Preferred and Series B Preferred one (1) share of Series A 8% Cumulative Convertible Preferred Stock of WorldCom and one (1) share of Series B Convertible Preferred Stock of WorldCom, respectively (collectively, "WorldCom Preferred Stock") (and, as a result, each depositary share representing a 1/100 interest in

a share of MFS Series A Preferred shall be converted into the right to receive a depositary share representing a 1/100 interest in a share of Series A 8% Cumulative Convertible Preferred Stock of WorldCom. The terms of the WorldCom Preferred Stock shall be substantially the same as the terms of the corresponding MFS Preferred Shares (with such stock being convertible at the same conversion price into the same number of shares of WorldCom Stock, in each case, as adjusted for the Exchange Ratio and otherwise on terms substantially similar to the terms of the corresponding MFS Preferred Shares with appropriate adjustments for dates of issuance or anniversary), except that each share of Series B Preferred (i) shall be entitled to one vote per share on all matters presented to WorldCom shareholders, voting together with the WorldCom Stock and such other voting rights as may be required by law, and (ii) at the discretion of WorldCom, may contain corresponding restrictions on transfer, and in the case of both series of WorldCom Preferred Stock, with such changes as shall be appropriate to reflect previous adjustments effected pursuant to the terms of the MFS Preferred Shares and the requirements of Georgia Law.

(c) No fractional shares of WorldCom Stock shall be issued pursuant to the Merger nor will any fractional share interest involved entitle the holder thereof to vote, to receive dividends or to exercise any other rights of a shareholder of WorldCom. In lieu thereof, any person who would otherwise be entitled to a fractional share of WorldCom Stock pursuant to the provisions hereof shall receive an amount in cash equal to the value of such fractional share. The value of such fractional share shall be the product of such fraction (rounded down to the nearest hundredth of a share) multiplied by \$26.375, subject to appropriate adjustment in the event of a stock split, stock dividend or recapitalization after the date of this Agreement applicable to shares of the WorldCom Stock.

(d) Each share of MFS Common Stock or MFS Preferred Stock held in the treasury of MFS or by a wholly owned subsidiary of MFS shall be cancelled as of the Effective Time and no Merger Consideration shall be payable with respect thereto.

(e) Subject to the provisions of this Agreement, at the Effective Time, the shares of Acquisition Subsidiary common stock outstanding immediately prior to the Merger shall be converted, by virtue of the Merger

and without any action on the part of the holder thereof, into one share of the common stock of the Surviving Corporation (the "Surviving Corporation Common Stock"), which one share of the Surviving Corporation Common Stock shall constitute all of the issued and outstanding capital stock of the Surviving Corporation and shall be owned by WorldCom.

1.4 Stockholders' Rights upon Merger. Upon consummation of the Merger, the certificates which theretofore

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represented MFS Shares or MFS Preferred Shares (other than Dissenting Shares) (the "Certificates") shall cease to represent any rights with respect thereto, and, subject to applicable law and this Agreement, shall only represent the right to receive the Merger Consideration including the amount of cash, if any, payable in lieu of fractional shares of WorldCom Stock into which the MFS Shares or MFS Preferred Shares, as the case may be, have been converted pursuant to this Agreement. MFS represents and warrants neither the holders of the shares of MFS Stock nor the holders of shares of Series A Preferred are entitled to appraisal rights under applicable Law (as hereinafter defined) or the Certificate of Incorporation of MFS provided the conditions of Section 262(b)(1) of the Delaware Code are satisfied and the provisions of Section 262(b)(2) of the Delaware Code are not applicable.

1.5 Surrender and Exchange of Shares. (a) Prior to the Closing Date, WorldCom shall appoint The Bank of New York or another agent mutually acceptable to WorldCom and MFS to act as exchange agent (the "Exchange Agent") for the Merger. Promptly after the Effective Time, WorldCom shall make available, or cause to be made available, to the Exchange Agent such certificates evidencing such number of shares of WorldCom Stock and WorldCom Preferred Stock and such amount of cash, as and when necessary, in order to

enable the Exchange Agent to effect the exchange of certificates and make the cash payments in respect of fractional shares contemplated by Section 1.5(c) below.

(b) On the Closing Date, WorldCom shall instruct the Exchange Agent to mail to each holder of record of a Certificate within five business days of receiving from MFS a list of such holders of record, (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent and shall be in such form and have such other provisions as WorldCom may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing the Merger Consideration.

(c) After the Effective Time, each holder of a MFS Share or MFS Preferred Share (other than Dissenting Shares) shall surrender and deliver the Certificates to the Exchange Agent together with a duly completed and executed transmittal letter. Upon such surrender and delivery, the holder shall receive a certificate representing the number of whole shares of WorldCom Stock or WorldCom Preferred Stock into which such holder's MFS Shares or MFS Preferred Shares have been converted pursuant to this Agreement, subject to payment of cash in lieu of any fractional share. Until so surrendered and exchanged, each outstanding Certificate after the Effective Time shall be deemed for all purposes to evidence the right to receive that number of whole shares of WorldCom Stock or WorldCom Preferred Stock into

which the MFS Shares or MFS Preferred Shares (other than Dissenting Shares) have been converted pursuant to this Agreement, subject to payment of cash in

lieu of any fractional share; provided, however, that no dividends or other distributions, if any, in respect of the shares of WorldCom Stock or WorldCom Preferred Stock, declared after the Effective Time and payable to holders of record after the Effective Time, shall be paid to the holders of any unsurrendered Certificates until such Certificates and transmittal letters are surrendered and delivered as provided herein. Subject to applicable Law, after the surrender and exchange of Certificates, the record holders thereof will be entitled to receive any such dividends or other distributions without interest thereon, which theretofore have become payable with respect to the number of shares of WorldCom Stock or WorldCom Preferred Stock for which such Certificates were exchangeable. Holders of any unsurrendered Certificates shall not be entitled to vote WorldCom Stock or WorldCom Preferred Stock until such Certificates are exchanged pursuant to this Agreement.

(d) At the Effective Time, the stock transfer books of MFS shall be closed and no transfer of MFS Shares or MFS Preferred Shares shall be made thereafter, other than transfers of MFS Shares and MFS Preferred Shares that have occurred prior to the Effective Time. In the event that, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be canceled and exchanged for shares of WorldCom Stock or WorldCom Preferred Stock or cash as provided in Section 1.3.

(e) Neither MFS nor WorldCom nor the Exchange Agent shall be liable to any holder of MFS Shares or MFS Preferred Shares for any such shares of WorldCom Stock or WorldCom Preferred Stock (or dividends or distributions with respect thereto), or cash delivered to a public official pursuant to any abandoned property, escheat or similar law, rule, regulation, statute, order, judgment or decree.

1.6 Options and Warrants. (a) At the Effective Time, WorldCom shall cause each holder of a then-outstanding and unexercised option (the "MFS Options") or warrant (the "MFS Warrants") exercisable for shares of MFS Common Stock to receive, by virtue of the Merger and without any action on the part of the holder thereof, options or warrants, respectively, exercisable for shares of WorldCom Stock having the same terms and conditions as the MFS Options and MFS Warrants (including such terms and conditions as may be incorporated by reference into the agreements evidencing MFS Options and MFS Warrants pursuant to the plans or arrangements pursuant to which such MFS Options and MFS Warrants were granted and taking into account the provisions of Section 5.12(b) hereof) except that (i) the exercise price and the number of shares issuable upon exercise shall be divided and multiplied, respectively, by the Exchange Ratio, and (ii) MFS Options which are "MFS Outperformance Options" (as defined in

Section 1.6(b)) shall be treated as set forth in Section 1.6(b). WorldCom shall use all reasonable efforts to ensure that the MFS Options which qualified as incentive stock options under Section 422 of the Code prior to the Effective Time continue to so qualify after the Effective Time. WorldCom shall take all corporate action necessary to reserve for issuance a sufficient number of shares of WorldCom Stock for delivery upon the exercise of MFS Options and MFS Warrants after the Effective Time. Immediately after the Effective Time, WorldCom shall file or cause to be filed all registration statements on Form S-8 or other appropriate form as may be necessary in connection with the purchase and sale of WorldCom Stock contemplated by such MFS Options subsequent to the Effective Time, and shall maintain the effectiveness of such registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as any of the MFS Options registered thereunder remain outstanding. As soon as practicable after the Effective Time, WorldCom shall qualify under applicable state securities laws the issuance of such shares of WorldCom Stock issuable upon exercise of MFS Options. WorldCom shall use reasonable business efforts to cause to be taken any actions necessary on the part of WorldCom to enable subsequent transactions in WorldCom Stock after the Effective Time pursuant to MFS Options held by persons subject to the reporting requirements of Section 16(a) of the Securities Exchange Act to be exempt from the application of Section 16(b) of the Securities Exchange Act, to the extent permitted thereunder. At the Effective Time, WorldCom shall assume, by supplemental agreement, the due and punctual performance and observance of each and every covenant and condition of the Warrant Agreement dated as of June 8, 1993 between MFS and Gleacher & Co., Inc.

(b) At the Effective Time, WorldCom shall cause each holder of a then-outstanding and unexercised MFS Option which is an "Outperformance Option" awarded under the MFS 1993 Stock Plan ("MFS Outperformance Options") to receive, by virtue of the Merger, in substitution for such MFS Outperformance Options, awards in respect of shares of WorldCom Stock ("WorldCom Outperformance Options") which shall preserve the economic value of, and the potential economic value associated with, each such MFS Outperformance Option immediately prior to the Effective Time, provided that

the holder thereof executes and delivers to WorldCom an agreement reasonably satisfactory to WorldCom relating thereto. To the greatest extent practicable, such WorldCom Outperformance Options shall be based on the same performance criteria applicable to the MFS Outperformance Options, giving effect to the Merger and the transactions contemplated thereby. Each of MFS and WorldCom hereby covenant to cooperate in good faith in order to develop terms for each such WorldCom Outperformance Option which will effectuate the intent and purpose of this Section 1.6(b).

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1.7 Certificate of Incorporation. At and after the Effective Time, the Certificate of Incorporation of the Surviving Corporation shall be identical to the Certificate of Incorporation of MFS in effect at the Effective Time (subject to any subsequent amendment).

1.8 Bylaws. Subject to Section 5.13 below, at and after the Effective Time, the Bylaws of Acquisition Subsidiary in effect at the Effective Time shall be the Bylaws of the Surviving Corporation (subject to any subsequent amendment).

1.9 [Intentionally left blank].

1.10 Other Effects of Merger. The Merger shall have all further effects as specified in the applicable provisions of the Delaware Code.

1.11 Registration Statement; Prospectus/Proxy Statement.



(a) For the purposes of (i) registering the issuance of WorldCom Stock, the WorldCom Preferred Stock and, if required, the WorldCom Outperformance Options, to holders of the MFS Shares, MFS Preferred Shares and MFS Outperformance Options in connection with the Merger with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "Securities Act"), and complying with applicable state securities Laws, (ii) holding the meeting of MFS stockholders to vote upon the adoption of this Agreement and the Merger and the transactions contemplated hereby and thereby (the "MFS Proposals"), and (iii) holding the meeting of WorldCom's shareholders to approve the amendment of WorldCom's Articles of Incorporation to increase the number of authorized shares of WorldCom Stock and to approve the issuance of the WorldCom Stock and WorldCom Preferred Stock in the Merger and the other transactions contemplated hereby and thereby (the "WorldCom Proposals"), WorldCom and MFS will cooperate in the preparation of a registration statement on Form S-4 (such registration statement, together with any and all amendments and supplements thereto, being herein referred to as the "Registration Statement"), including a prospectus/joint proxy statement satisfying all requirements of applicable state securities Laws, the Securities Act and the Securities Exchange Act of 1934 and the rules and regulations thereunder (the "Securities Exchange Act"). Such prospectus/joint proxy statement in the form mailed by MFS and WorldCom to their respective stockholders, together with any and all amendments or supplements thereto, is herein referred to as the "Prospectus/Proxy Statement."

(b) MFS will furnish WorldCom with such information concerning MFS and its subsidiaries as is necessary in order to cause the Prospectus/Proxy Statement, insofar as it relates to MFS and its subsidiaries, to comply with applicable Law. None of

the information relating to MFS and its subsidiaries supplied by MFS for inclusion in the Prospectus/Proxy Statement will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. MFS agrees promptly to advise WorldCom if, at any time prior to the respective meetings of the stockholders of MFS or WorldCom referenced herein, any information provided by it in the Prospectus/Proxy Statement is or becomes incorrect or incomplete in any material respect and to provide WorldCom with the information needed to correct such inaccuracy or omission. MFS will furnish WorldCom with such supplemental information as may be necessary in order to cause the Prospectus/Proxy Statement, insofar as it relates to MFS and its subsidiaries, to comply with applicable Law after the mailing thereof to the stockholders of MFS or WorldCom.

(c) WorldCom will furnish MFS with such information concerning WorldCom and its subsidiaries as is necessary in order to cause the Prospectus/Proxy Statement, insofar as it relates to WorldCom and its subsidiaries, to comply with applicable Law. None of the information relating to WorldCom and its subsidiaries supplied by WorldCom for inclusion in the Prospectus/Proxy Statement will be false or misleading with respect to any material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. WorldCom agrees promptly to advise MFS if, at any time prior to the respective meetings of stockholders of MFS or WorldCom referenced herein, any information provided by it in the Prospectus/Proxy Statement is or becomes incorrect or incomplete in any material respect and to provide MFS with the information needed to correct such inaccuracy or omission. WorldCom will furnish MFS with such supplemental information as may be necessary in order to cause the Prospectus/Proxy Statement, insofar as it relates to WorldCom and its subsidiaries, to comply with applicable Law after the mailing thereof to the stockholders of MFS or WorldCom.

(d) MFS and WorldCom agree to cooperate in making any preliminary filings of the Prospectus/Proxy Statement with the SEC, as promptly as practicable, pursuant to Rule 14a-6 under the Securities Exchange Act.

(e) WorldCom will file the Registration Statement with the SEC and appropriate materials with applicable state securities agencies as promptly as practicable and will use all reasonable efforts to cause the Registration Statement to become effective under the Securities Act and all such state filed materials to comply with applicable state securities Laws. MFS authorizes WorldCom to utilize in the Registration Statement and in all such state filed materials, the information concerning MFS

and its subsidiaries provided to WorldCom in connection with, or contained in, the Prospectus/Proxy Statement. WorldCom promptly will advise MFS when the Registration Statement has become effective and of any supplements or amendments thereto, and WorldCom will furnish MFS with copies of all such documents. Except for the Prospectus/Joint Proxy or the preliminary prospectus/joint proxy, neither WorldCom nor MFS shall distribute any written material that might constitute a "prospectus" relating to the Merger, the MFS Proposals or the WorldCom Proposals within the meaning of the Securities Act or any applicable state securities Law without the prior written consent of WorldCom.

1.12 Tax-Free Reorganization. The parties intend that the Merger qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"). None of the parties will knowingly take any action that would cause the Merger to fail to qualify as a reorganization within the meaning of Section 368(a) of the Code.

1.13 Additional Actions. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of Acquisition Subsidiary or MFS or otherwise to carry out this Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of Acquisition Subsidiary or MFS, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of Acquisition Subsidiary or MFS, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the

Surviving Corporation or otherwise to carry out this Agreement.

1.14 Dissenting Shares.

(a) Notwithstanding any provision of this Agreement to the contrary, any shares of MFS Series B Preferred held by a holder who has demanded and perfected his demand for appraisal of his shares of Series B Preferred in accordance with Section 262 of the Delaware Code and as of the Effective Time has neither effectively withdrawn nor lost his right to such appraisal (the "Dissenting Shares"), shall not be converted into or represent a right to receive the Series B Convertible Preferred Stock of WorldCom pursuant to Section 1.3 hereof, but the holder thereof shall be entitled to only such rights as are granted by the Delaware Code.

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(b) Notwithstanding the provisions of subsection (a) of this Section 1.14, if any holder of shares of Series B Preferred who demands appraisal of such shares under the Delaware Code shall effectively withdraw or lose (through failure to perfect or otherwise) his right to appraisal, then as of the Effective Time or the occurrence of such event, whichever later occurs, such holder's shares of Series B Preferred shall automatically be converted into and represent only the right to receive the Series B Convertible Preferred Stock of WorldCom pursuant to Section 1.3 hereof, without any interest thereon, upon surrender of the certificate or certificates representing such shares of Series B Preferred.

(c) MFS shall give WorldCom (i) prompt notice of any written demands for appraisal or payment of the fair value of any shares of Series B

Preferred, withdrawals of such demands, and any other instruments served pursuant to the Delaware Code received by MFS and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the Delaware Code. MFS shall not voluntarily make any payment with respect to any demands for appraisal and shall not, except with the prior written consent of WorldCom, settle or offer to settle any such demands. All payments made to holders of Dissenting Shares shall be made by MFS. No funds will be provided to MFS, directly or indirectly, by WorldCom or Acquisition Subsidiary nor will WorldCom or Acquisition Subsidiary reimburse MFS, directly or indirectly, for these payments.

1.15 Alternative Structure. Notwithstanding anything to the contrary herein, the parties agree that the structure of the Merger as provided herein may, by mutual agreement of MFS and WorldCom, be modified such that, in lieu of Acquisition Subsidiary merging with and into MFS, MFS may merge with and into WorldCom (the "Alternative Structure"), provided the Alternative Structure (i) provides for equivalent value of consideration (which in the case of securities, shall be freely tradeable, subject to Rule 145 promulgated under the Securities Act) for, and entails no adverse tax consequences to, MFS's stockholders or holders of options or warrants for MFS Shares or MFS Outperformance Options, (ii) would have no materially adverse tax, accounting or other financial consequences for MFS, MFS's stockholders or holders of options or warrants for MFS Shares or MFS Outperformance Options (including without limitation an adverse effect with respect to any change in control provisions contained therein), and (iii) would not result in any material delay in consummation of the Merger as modified. In addition, MFS agrees to cooperate with WorldCom in considering structures for the Merger other than the Alternative Structure which will be implemented at the request of WorldCom, but only with the consent of MFS, which consent shall not be unreasonably withheld; provided, however, that in determining whether to consent to structures other than the Alternative Structure, consent will not

be considered to be unreasonably withheld if the decision to withhold consent is determined by considering the factors referred to in clauses (i), (ii) and (iii) above. In the event WorldCom and MFS agree to implement the Alternative Structure or another structure as contemplated by this Section 1.15, the parties agree to execute an appropriate amendment to this Agreement (including representations, warranties, covenants and other pertinent provisions to the extent appropriate in light of the Alternative Structure or other structure) providing for such Alternative Structure or other structure.

ARTICLE II  
REPRESENTATIONS, WARRANTIES AND CERTAIN  
COVENANTS OF MFS

MFS represents, warrants and/or covenants to and with WorldCom as follows:

2.1 Organization and Good Standing. MFS and each of the MFS Subsidiaries is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate or partnership power and authority to own, lease and operate its properties and to carry on its business as now being conducted. MFS and each of the MFS Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a material adverse effect on the business, assets (including, but not limited to, intangible assets), prospects, condition (financial or otherwise), properties (including, but not limited to, intangible properties), liabilities or the results of operations of MFS and its subsidiaries taken as a whole ("MFS Material Adverse Effect"). Schedule 2.1 attached hereto contains a complete and accurate list of the jurisdictions of incorporation or organization and qualification or license of MFS and the MFS Subsidiaries. MFS has heretofore made available to WorldCom accurate and complete copies of the Certificate of Incorporation and Bylaws, as currently in effect, of MFS. For purposes of this Agreement, the term "MFS Subsidiary" shall mean any "Significant Subsidiary" (as such term is defined in Rule 1-02 of Regulation S-X of the SEC) of MFS.

2.2 Capitalization. As of the date hereof, the authorized capital stock of MFS consists of (a) 400,000,000 shares of MFS Common Stock, and (b) 25,000,000 shares of preferred stock, as to which 95,000 shares have been designated as Series A 8% Cumulative Convertible Preferred Stock, 15,000,000 shares have been designated as Series B Convertible Preferred

Stock and 75,000 shares have been designated as Series C Junior Participating Preferred Stock (collectively, the "MFS Preferred Stock" and, separately, the "Series A Preferred," "Series B Preferred," and "Series C Preferred," respectively). As of August 23, 1996, (a) 220,869,715 shares of MFS Common Stock were issued and outstanding, (b) no shares of MFS Common Stock were issued and held in the treasury of MFS, and (c) 94,492 shares of Series A Preferred, 15,000,000 shares of Series B Preferred and no shares of Series C Preferred were issued and outstanding. No other capital stock of MFS is authorized or issued. All issued and outstanding shares of the MFS Common Stock and MFS Preferred Stock are duly authorized, validly issued, fully paid and non-assessable and were issued free of preemptive rights and in compliance with applicable securities Laws. Except as set forth in the MFS Securities Filings (as hereinafter defined) or on Schedule 2.2 attached hereto and as otherwise contemplated by this Agreement, as of the date hereof there are no outstanding rights, subscriptions, warrants, puts, calls, unsatisfied preemptive rights, options or other agreements of any kind relating to any of the outstanding, authorized but unissued, unauthorized or treasury shares of the capital stock or any other security of MFS, and there is no authorized or outstanding security of any kind convertible into or exchangeable for any such capital stock or other security. Except as disclosed in the MFS Securities Filings, there are no restrictions upon the transfer of or otherwise pertaining to the securities (including, but not limited to, the ability to pay dividends thereon) or retained earnings of MFS and the MFS Subsidiaries or the ownership thereof other than those, if any, described on Schedule 2.2 attached hereto or those imposed by the Securities Act, the Securities Exchange Act, applicable state securities Laws or applicable corporate Law.

2.3 Subsidiaries. Schedule 2.3 attached hereto sets forth the name

and jurisdiction of incorporation or organization of each MFS Subsidiary, each of which is wholly owned by MFS except as otherwise indicated on said Schedule 2.3. All of the capital stock and other interests of the MFS Subsidiaries so held by MFS are owned by it or a MFS Subsidiary as indicated on said Schedule 2.3, free and clear of any claim, lien, encumbrance, security interest or agreement with respect thereto. All of the outstanding shares of capital stock in each of the MFS Subsidiaries directly or indirectly held by MFS are duly authorized, validly issued, fully paid and non-assessable and were issued free of preemptive rights and in compliance with applicable Laws. Except as set forth on Schedule 2.3 attached hereto, there are no irrevocable proxies or similar obligations with respect to such capital stock of the MFS Subsidiaries held by MFS and no equity securities or other interests of any of the MFS Subsidiaries are or may become required to be issued or purchased by reason of any options, warrants, rights to subscribe to, puts, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or

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exchangeable for, shares of any capital stock of any MFS Subsidiary, and there are no contracts, commitments, understandings or arrangements by which any MFS Subsidiary is bound to issue additional shares of its capital stock, or options, warrants or rights to purchase or acquire any additional shares of its capital stock or securities convertible into or exchangeable for such shares.

2.4 Authorization; Binding Agreement. MFS has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery



of this Agreement and the other agreements and documents referred to herein to which MFS is or will be a party or a signatory (the "MFS Ancillary Agreements") and the consummation of the transactions contemplated hereby and thereby, including, but not limited to, the Merger have been duly and validly authorized by MFS's Board of Directors and no other corporate proceedings on the part of MFS or any MFS Subsidiary are necessary to authorize the execution and delivery of this Agreement and the MFS Ancillary Agreements or to consummate the transactions contemplated hereby or thereby (other than the adoption of this Agreement by the stockholders of MFS in accordance with the Delaware Code and the Certificate of Incorporation and Bylaws of MFS). This Agreement has been duly and validly executed and delivered by MFS and constitutes, and upon execution and delivery thereof as contemplated by this Agreement, the MFS Ancillary Agreements will constitute, the legal, valid and binding agreements of MFS, enforceable against MFS in accordance with its and their respective terms, except to the extent that enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally and by principles of equity regarding the availability of remedies ("Enforceability Exceptions").

2.5 Governmental Approvals. No consent, approval, waiver or authorization of, notice to or declaration or filing with ("Consent") any nation or government, any state or other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any governmental or regulatory authority, agency, department, board, commission, administration or instrumentality, any court, tribunal or arbitrator and any self-regulatory organization ("Governmental Authority") on the part of MFS or any of the MFS Subsidiaries is required in connection with the execution or delivery by MFS of this Agreement and the MFS Ancillary Agreements or the consummation by MFS of the transactions contemplated hereby or thereby other than (i) the filing of the Certificate of Merger with the Secretary of State of Delaware in accordance with the Delaware Code, (ii) filings with the SEC, state securities laws administrators and the National Association of Securities Dealers, Inc.

("NASD"), (iii) Consents from the Federal Communications Commission, state public service or utility commissions (or comparable state Governmental Authorities) or foreign telephone administrations, (iv) filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act"), (v) such filings as may be required in any jurisdiction where MFS is qualified or authorized to do business as a foreign corporation in order to maintain such qualification or authorization, and (vi) those Consents that, if they were not obtained or made, do not or would not have a MFS Material Adverse Effect or materially and adversely affect the ability of MFS to perform its obligations as set forth in this Agreement or to consummate the transactions contemplated hereby.

2.6 No Violations. The execution and delivery of this Agreement and the MFS Ancillary Agreements, the consummation of the transactions contemplated hereby and thereby and compliance by MFS with any of the provisions hereof or thereof will not (i) conflict with or result in any breach of any provision of the Certificate and/or Articles of Incorporation or Bylaws or other governing instruments of MFS or any of the MFS Subsidiaries, (ii) except as set forth on Schedule 2.6 attached hereto, require any Consent under or result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration or augment the performance required) under any of the terms, conditions or provisions of any MFS Material Contract (as hereinafter defined), (iii) result in the creation or imposition of any lien or encumbrance of any kind upon any of the assets of MFS or any MFS Subsidiary, or (iv) subject to obtaining the Consents from Governmental Authorities referred to in Section 2.5, above, contravene any applicable provision of any constitution, treaty, statute, law, code, rule, regulation, ordinance, policy or order of any Governmental Authority or other matters having the force of law including, but not limited to, any orders, decisions, injunctions, judgments, awards and decrees of or agreements with any court or other Governmental Authority ("Law") currently in effect to which MFS or any MFS Subsidiary or its or any of their respective assets or properties are subject, except in the case of clauses (ii), (iii) and (iv), above, for any deviations from the foregoing which do not or would not have a MFS Material Adverse Effect.

2.7 Securities Filings and Litigation. MFS has made available to WorldCom true and complete copies of (i) its Annual Reports on Form 10-K, as amended, for the years ended December 31, 1993, 1994 and 1995, as filed with the SEC, (ii) its proxy statements relating to all of the meetings of stockholders (whether annual or special) of MFS since May 26, 1993, as filed with the SEC, and (iii) all other reports, statements and registration

statements and amendments thereto (including, without limitation, Quarterly Reports on Form 10-Q and Current

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Reports on Form 8-K, as amended) filed by MFS with the SEC since May 26, 1993. The reports and statements set forth in clauses (i) through (iii), above, and those subsequently provided or required to be provided pursuant to this Section, are referred to collectively herein as the "MFS Securities Filings." As of their respective dates, or as of the date of the last amendment thereof, if amended after filing, none of the MFS Securities Filings (including all schedules thereto and disclosure documents incorporated by reference therein), contained or, as to MFS Securities Filings subsequent to the date hereof, will contain any untrue statement of a material fact or omitted or, as to MFS Securities Filings subsequent to the date hereof, will omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the MFS Securities Filings at the time of filing or as of the date of the last amendment thereof, if amended after filing, complied or, as to MFS Securities Filings subsequent to the date hereof, will comply in all material respects with the Securities Exchange Act or the Securities Act, as applicable. There is no action, cause of action, claim, demand, suit, proceeding, citation, summons, subpoena, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, by or before any court, tribunal, arbitrator or other Governmental Authority ("Litigation") pending or, to the knowledge of MFS, threatened against MFS or any of its subsidiaries, any officer, director, employee or agent thereof, in his or her capacity as such, or as a fiduciary with respect to any MFS Benefit Plan, as hereinafter defined, or otherwise relating to MFS or any of its subsidiaries or the securities of any of them,

or any properties or rights of MFS or any of its subsidiaries or any MFS Benefit Plan which is required to be described in any MFS Securities Filing that is not so described. No event has occurred as a consequence of which MFS would be required to file a Current Report on Form 8-K pursuant to the requirements of the Securities Exchange Act as to which such a report has not been timely filed with the SEC. Any reports, statements and registration statements and amendments thereof (including, without limitation, Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as amended) filed by MFS with the SEC after the date hereof shall be provided to WorldCom on the date of such filing.

2.8 MFS Financial Statements. The audited consolidated financial statements and unaudited interim financial statements of MFS included in the MFS Securities Filings (the "MFS Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and present fairly, in all material respects, the financial position of MFS and its subsidiaries as at the dates thereof and the results of their operations and cash flows for the periods then ended subject, in the case of the unaudited

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interim financial statements, to normal year-end audit adjustments, any other adjustments described therein and the fact that certain information and notes have been condensed or omitted in accordance with the Securities Exchange Act.

2.9 Absence of Certain Changes or Events. Except as set forth in the MFS Securities Filings or in Schedule 2.9 attached hereto, since December 31, 1995, through the date of this Agreement, there has not been:

(i) any event, occurrence, fact, condition, change, development or effect ("Event") that has had or could reasonably be expected to have a MFS Material Adverse Effect; or (ii) any declaration, payment or setting aside for payment of any dividend (except to MFS or a MFS Subsidiary and dividends required under the present terms of the MFS Preferred Stock) or other distribution or any redemption, purchase or other acquisition of any shares of capital stock or securities of MFS by or from MFS.

2.10 Compliance with Laws. The business of MFS and each of its subsidiaries has been operated in compliance with all Laws and all tariffs, rules and regulations applicable to the regulation of the provision of communications services including, but not limited to, information service providers and competitive local exchange, exchange access, inter-exchange and international telecommunications services, except for any instances of non-compliance which do not and will not have a MFS Material Adverse Effect. Without limiting the generality of the foregoing, neither MFS nor any of its subsidiaries has engaged in carrying transit or indirect traffic in violation of applicable Laws, tariffs, rules and regulations in any jurisdiction, foreign or domestic, which violation could reasonably be expected to have a MFS Material Adverse Effect.

2.11 Permits. (i) MFS and its subsidiaries have all permits, certificates, licenses, approvals, tariffs and other authorizations required in connection with the operation of their business (collectively, "MFS Permits"), (ii) neither MFS nor any of its subsidiaries is in violation of any MFS Permit, and (iii) no proceedings are pending or, to the knowledge of MFS, threatened, to revoke or limit any MFS Permit, except, in each case, those the absence or violation of which do not and will not have a MFS Material Adverse Effect.

2.12 Finders and Investment Bankers. Neither MFS nor any of its officers or directors has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated hereby other than pursuant to the agreement with Gleacher NatWest Inc., an accurate and complete copy of which agreement has been provided to WorldCom.

2.13 Contracts. Except as set forth in Schedule 2.13 attached hereto, neither MFS nor any of its subsidiaries is a

party or is subject to any material note, bond, mortgage, indenture, contract, lease, license, agreement, understanding, instrument, bid or proposal that is required to be described in or filed as an exhibit to any MFS Securities Filing ("MFS Material Contract") that is not so described in or filed as required by the Securities Act or the Securities Exchange Act, as the case may be. For purposes of this Section 2.13 and Section 3.13 below, a note, bond, mortgage, indenture, contract, lease, license, agreement, understanding, instrument, bid or proposal shall be considered material if it is required to be described in or filed as an exhibit to any document filed under the Securities Act or the Securities Exchange Act, as the case may be. MFS has made available to WorldCom true and accurate copies of the MFS Material Contracts. All such MFS Material Contracts are valid and binding and are in full force and effect and enforceable against MFS or such subsidiary in accordance with their respective terms, subject to the Enforceability Exceptions. Except as set forth in Schedule 2.6 attached hereto, (i) no Consent of any person is needed in order that each such MFS Material Contract shall continue in full force and effect in accordance with its terms without penalty, acceleration or rights of early termination by reason of the consummation of the transactions contemplated by this Agreement, except for Consents the absence of which would not have a MFS Material Adverse Effect, and (ii) neither MFS nor any of its subsidiaries is in violation or breach of or default under any such MFS Material Contract; nor to MFS's knowledge is any other party to any such MFS Material Contract in violation or breach of or default under any such MFS Material Contract in each case where such violation or breach would have a MFS Material Adverse Effect.

2.14 Employee Benefit Plans. Except as set forth in Schedule 2.14(a) attached hereto, there are no material Benefit Plans (as defined below) maintained or contributed to by MFS or any of its subsidiaries ("MFS Benefit Plan"). A "Benefit Plan" shall include (i) an employee benefit plan as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, together with all regulations thereunder ("ERISA"), even if, because of some other provision of ERISA, such plan is not subject to any or all of ERISA's provisions, and (ii) whether or not described in the preceding clause, any pension, profit sharing, stock bonus, deferred or supplemental compensation, retirement, thrift, stock purchase or stock option plan, or any other compensation, welfare, fringe benefit or retirement plan, program, policy, course of conduct, understanding or arrangement of any kind whatsoever, providing for benefits for or the welfare of any or all of the current or former employees or agents of MFS or any of its subsidiaries or

their beneficiaries or dependents; provided that Benefit Plans shall not include any multiemployer plan, as defined in Section 3(37) of ERISA (a "Multiemployer Plan").

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No MFS Benefit Plan is a defined benefit pension plan subject to Title IV of ERISA or Section 412 of the Code. Each of the MFS Benefit Plans has been maintained in material compliance with its terms and all applicable Law, except where the failure to do so would not be reasonably likely to result in a MFS Material Adverse Effect.

Neither MFS nor any of its subsidiaries contributes to, or has any outstanding liability with respect to, any Multiemployer Plan.

Except as set forth in Schedule 2.14(b) attached hereto and except as provided in Section 5.12(b), the consummation of the transactions contemplated by this Agreement will not (i) entitle any individual to severance pay, or (ii) accelerate the time of payment or vesting of benefits or increase the amount of compensation due to any individual.

2.15 Taxes and Returns. (a) Except as disclosed in Schedule 2.15 attached hereto, MFS and each of its subsidiaries has timely filed, or caused to be timely filed all material Tax Returns required to be filed by it, and has paid, collected or withheld, or caused to be paid, collected or withheld, all material amounts of Taxes required to be paid, collected or withheld, other than such Taxes for which adequate reserves in the MFS Financial Statements have been established or which are being contested in good faith.

Except as set forth in Schedule 2.15 attached hereto, there are no claims or assessments pending against MFS or any of its subsidiaries for any alleged deficiency in any Tax, and MFS has not been notified in writing of any proposed Tax claims or assessments against MFS or any of its subsidiaries (other than in each case, claims or assessments for which adequate reserves in the MFS Financial Statements have been established or which are being contested in good faith or are immaterial in amount). Except as set forth in Schedule 2.15 attached hereto, neither MFS nor any of its subsidiaries has any waivers or extensions of any applicable statute of limitations to assess any material amount of Taxes. Except as set forth in Schedule 2.15 attached hereto, there are no outstanding requests by MFS or any of its subsidiaries for any extension of time within which to file any material Tax Return or within which to pay any material amounts of Taxes shown to be due on any return.

(b) To the best knowledge of MFS, there are no liens for material amounts of Taxes on the assets of MFS or any of its subsidiaries except for statutory liens for current Taxes not yet due and payable.

(c) For purposes of this Agreement, the term "Tax" shall mean any federal, state, local, foreign or provincial income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, alternative or added minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty,

governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty imposed by any Governmental Authority. The term "Tax Return" shall mean a report, return or other information (including any attached schedules or any amendments to such report, return or



other information) required to be supplied to or filed with a governmental entity with respect to any Tax, including an information return, claim for refund, amended return or declaration or estimated Tax.

2.16 Fairness Opinion. MFS's Board of Directors has received from its financial advisors, Gleacher NatWest Inc., a written opinion addressed to it for inclusion in the Prospectus/Proxy Statement to the effect that the Exchange Ratio and the WorldCom Preferred Stock is fair to the holders of the MFS Shares and the MFS Preferred Shares, respectively, from a financial point of view.

2.17 Takeover Statutes. Assuming WorldCom and its "associates" and "affiliates" (as defined in Section 203 of the Delaware Code) collectively beneficially own and have beneficially owned at all times during the three year period prior to the date hereof less than fifteen percent (15%) of the MFS Shares outstanding (other than MFS Shares issuable pursuant to the MFS Option Agreement), Section 203 of the Delaware Code is, and shall be, inapplicable to the Merger, this Agreement, the MFS Option Agreement and the transactions contemplated hereby and thereby.

2.18 MFS Rights Plan. Under the Rights Agreement between MFS and Continental Stock Transfer & Trust Company, as Rights Agent, dated as of September 30, 1995 and as amended as of August 24, 1996 (the "MFS Rights Agreement"), WorldCom will not become an "Acquiring Person", no "Stock Acquisition Date" or "Distribution Date" (as such terms are defined in the MFS Rights Agreement) will occur, and the holders of any MFS Rights will not be entitled to receive any benefits under the MFS Rights Agreement as a result of the approval, execution or delivery of this Agreement, the MFS Option Agreement or the consummation of the transactions contemplated hereby and thereby.

ARTICLE III  
REPRESENTATIONS, WARRANTIES AND  
CERTAIN COVENANTS OF WORLDCOM

WorldCom represents, warrants and/or covenants to and with MFS as follows:

3.1 Organization and Good Standing. WorldCom, Acquisition Subsidiary and each of the WorldCom Subsidiaries is a corporation or partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its

incorporation or organization and has all requisite corporate or partnership power and authority to own, lease and operate its properties and to carry on its business as now being conducted. WorldCom and each of the WorldCom Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a material adverse effect on the business, assets (including, but not limited to, intangible assets), prospects, condition (financial or otherwise), properties (including, but not limited to, intangible properties), liabilities or the results of operations of WorldCom and its subsidiaries taken as a whole ("WorldCom Material Adverse Effect"). WorldCom has heretofore made available to MFS accurate and complete copies of the Articles of Incorporation and Bylaws, as currently in effect, of WorldCom. For purposes of this Agreement, the term "WorldCom Subsidiary" shall mean any "Significant Subsidiary" (as such term is defined in Rule 1-02 of the Registration S-X of the SEC) of WorldCom.

3.2 Capitalization. As of the date hereof, the authorized capital stock of WorldCom consists of 750,000,000 shares of WorldCom Stock, and 50,000,000 shares of preferred stock, par value \$.01 per share ("WorldCom Preferred Shares"). As of August 23, 1996, (a) 408,161,493 shares of WorldCom Stock were issued and outstanding, and (b) no WorldCom Preferred Shares were outstanding. No other capital stock of WorldCom is authorized or issued. All issued and outstanding shares of the WorldCom Stock are duly authorized, validly issued, fully paid and non-assessable and were issued free of preemptive rights and in compliance with applicable securities Laws. Except as set forth in the WorldCom Securities Filings (as hereinafter defined) or on Schedule 3.2 attached hereto, or as otherwise contemplated by this Agreement, as of the date hereof there are no outstanding rights, subscriptions, warrants, puts, calls, unsatisfied preemptive rights, options or other agreements of any kind relating to any of the outstanding, authorized but unissued, unauthorized or treasury shares of the capital stock or any other security of WorldCom, and there is no authorized or outstanding security of any kind convertible into or exchangeable for any such capital stock or other security. Except as disclosed in the WorldCom Securities Filings, there are no restrictions upon the transfer of or otherwise pertaining to the securities

(including, but not limited to, the ability to pay dividends thereon) or retained earnings of WorldCom and the WorldCom Subsidiaries or the ownership thereof other than those imposed by the Securities Act, the Securities Exchange Act, applicable state securities Laws or applicable corporate Law.

3.3 Subsidiaries. Schedule 3.3 attached hereto sets forth the name and jurisdiction of incorporation or organization

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of each WorldCom Subsidiary, each of which is wholly owned by WorldCom except as otherwise indicated on said Schedule 3.3. All of the capital stock and other interests of the WorldCom Subsidiaries so held by WorldCom are owned by it or a WorldCom Subsidiary as indicated on said Schedule 3.3, free and clear of any claim, lien, encumbrance, security interest or agreement with respect thereto. All of the outstanding shares of capital stock in each of the WorldCom Subsidiaries held by WorldCom are duly authorized, validly issued, fully paid and non-assessable and were issued free of preemptive rights and in compliance with applicable Laws. Except as set forth on Schedule 3.3 attached hereto, there are no irrevocable proxies or similar obligations with respect to such capital stock of the WorldCom Subsidiaries held by WorldCom and no equity securities or other interests of any of the WorldCom Subsidiaries are or may become required to be issued or purchased by reason of any options, warrants, rights to subscribe to, puts, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of any capital stock of any WorldCom Subsidiary, and there are no contracts, commitments, understandings or arrangements by which any WorldCom Subsidiary is bound to issue additional shares of its capital stock, or options, warrants or rights to purchase or acquire any additional

shares of its capital stock or securities convertible into or exchangeable for such shares.

3.4 Authorization; Binding Agreement. WorldCom and Acquisition Subsidiary have all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the other agreements and documents referred to herein to which WorldCom or Acquisition Subsidiary is or will be a party or a signatory (the "WorldCom Ancillary Agreements") and the consummation of the transactions contemplated hereby and thereby, including, but not limited to, the Merger have been duly and validly authorized by the respective Boards of Directors of WorldCom and Acquisition Subsidiary, as appropriate, and no other corporate proceedings on the part of WorldCom, Acquisition Subsidiary or any WorldCom Subsidiary are necessary to authorize the execution and delivery of this Agreement and the WorldCom Ancillary Agreements or to consummate the transactions contemplated hereby or thereby (other than the requisite approval by the WorldCom shareholders of the WorldCom Proposals and the sole shareholder of Acquisition Subsidiary of this Agreement and the Merger). This Agreement has been duly and validly executed and delivered by each of WorldCom and Acquisition Subsidiary and constitutes, and upon execution and delivery thereof as contemplated by this Agreement, the WorldCom Ancillary Agreements will constitute, the legal, valid and binding agreements of WorldCom and Acquisition Subsidiary, enforceable against each of WorldCom and Acquisition Subsidiary in accordance with its and their respective terms, subject to the Enforceability Exceptions.

3.5 Governmental Approvals. No Consent from or with any

Governmental Authority on the part of WorldCom or any of the WorldCom Subsidiaries is required in connection with the execution or delivery by WorldCom of this Agreement and the WorldCom Ancillary Agreements or the consummation by WorldCom of the transactions contemplated hereby or thereby other than (i) filings with the SEC, state securities laws administrators, the NASD and applicable Georgia Governmental Authorities, (ii) Consents from the Federal Communications Commission, state public service or utility commissions (or comparable state Governmental Authorities) or foreign telephone administrations, (iii) filings under the HSR Act, and (iv) those Consents that, if they were not obtained or made, do not or would not have a WorldCom Material Adverse Effect or materially and adversely affect the ability of WorldCom to perform its obligations set forth herein or to consummate the transactions contemplated hereby.

3.6 No Violations. The execution and delivery of this Agreement and the WorldCom Ancillary Agreements, the consummation of the transactions contemplated hereby and thereby and compliance by WorldCom with any of the provisions hereof or thereof will not (i) conflict with or result in any breach of any provision of the Certificate and/or Articles of Incorporation or Bylaws or other governing instruments of WorldCom or any of the WorldCom Subsidiaries, (ii) except for compliance with the requirements under WorldCom's Amended and Restated Credit Agreement dated as of June 28, 1996 (the "WorldCom Credit Agreement"), require any Consent under or result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration or augment the performance required) under any of the terms, conditions or provisions of any WorldCom Material Contract (as hereinafter defined), (iii) result in the creation or imposition of any lien or encumbrance of any kind upon any of the assets of WorldCom or any WorldCom Subsidiary, or (iv) subject to obtaining the Consents from Governmental Authorities referred to in Section 3.5, above, contravene any Law currently in effect to which WorldCom or any WorldCom Subsidiary or its or any of their respective assets or properties are subject, except in the case of clauses (ii), (iii) and (iv), above, for any deviations from the foregoing which do not or would not have a WorldCom Material Adverse Effect.

3.7 Securities Filings and Litigation. WorldCom has made available to MFS true and complete copies of (i) its Annual or Transition Reports on Form 10-K, as amended, for the years ended December 31, 1993, 1994 and 1995, or periods included therein, as filed with the SEC, (ii) its proxy statements relating to all of the meetings of shareholders (whether annual or special) of WorldCom since January 1, 1993, as filed with the SEC, and (iii) all other reports, statements and registration

statements and amendments thereto (including, without limitation, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as amended) filed by WorldCom with the SEC since January 1, 1993. The reports and statements set forth in clauses (i) through (iii), above, and those subsequently provided or required to be provided pursuant to this Section, are referred to collectively as the "WorldCom Securities Filings"). As of their respective dates, or as of the date of the last amendment thereof, if amended after filing, none of the WorldCom Securities Filings (including all schedules thereto and disclosure documents incorporated by reference therein), contained or, as to WorldCom Securities Filings subsequent to the date hereof, will contain any untrue statement of a material fact or omitted or, as to WorldCom Securities Filings subsequent to the date hereof, will omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the WorldCom Securities Filings at the time of filing or as of the date of the last amendment thereof, if amended after filing, complied or, as to WorldCom Securities Filings subsequent to the date hereof, will comply in all material respects with the Securities Exchange Act or the Securities Act, as applicable. There is no Litigation pending or, to the knowledge of WorldCom, threatened against WorldCom or any of its subsidiaries, any officer, director, employee or agent thereof, in his or her capacity as such, or as a fiduciary with respect to any WorldCom Benefit Plan, as hereinafter defined, or otherwise relating to WorldCom or any of its subsidiaries or the securities of any of them, or any properties or rights of WorldCom or any of its subsidiaries or any WorldCom Benefit Plan which is required to be described in any WorldCom Securities Filing that is not so described. No event has occurred as a consequence of which WorldCom would be required to file a Current Report on Form 8-K pursuant to the requirements of the Securities Exchange Act as to which such a report has not been timely filed with the SEC. Any reports, statements and registration statements and amendments thereof (including, without limitation, Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as amended) filed by WorldCom with the SEC after the date hereof shall be provided to MFS on the date of such filing.

3.8 WorldCom Financial Statements. The audited consolidated financial statements and unaudited interim financial statements of WorldCom included in the WorldCom Securities Filings (the "WorldCom Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and present fairly, in all material respects, the financial position of WorldCom and its subsidiaries as at the dates thereof and the results of their operations and cash flows for the periods then ended subject, in the case of the unaudited interim financial statements, to normal year-end audit adjustments, any other adjustments described therein and the fact

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that certain information and notes have been condensed or omitted in accordance with the Securities Exchange Act.

3.9 Absence of Certain Changes or Events. Except as set forth in the WorldCom Securities Filings and except for the adoption of the WorldCom Rights Agreement, since December 31, 1995, through the date of this Agreement, there has not been: (i) any Event that has had or could reasonably be expected to have a WorldCom Material Adverse Effect; or (ii) any declaration, payment or setting aside for payment of any dividend (except to WorldCom or a WorldCom Subsidiary) or other distribution or any redemption, purchase or other acquisition of any shares of capital stock or securities of WorldCom by or from WorldCom.

3.10 Compliance with Laws. The business of WorldCom and each of its subsidiaries has been operated in compliance with all Laws and all tariffs, rules and regulations applicable to the regulation of the provision of

communications services including, but not limited to, information service providers and competitive local exchange, exchange access, inter-exchange and international telecommunications services, except for any instances of non-compliance which do not and will not have a WorldCom Material Adverse Effect. Without limiting the generality of the foregoing, neither WorldCom nor any of its subsidiaries has engaged in carrying transit or indirect traffic in violation of applicable Laws, tariffs, rules and regulations in any jurisdiction, foreign or domestic, which violation could reasonably be expected to have a WorldCom Material Adverse Effect.

3.11 Permits. (i) WorldCom and its subsidiaries have all permits, certificates, licenses, approvals, tariffs and other authorizations required in connection with the operation of their business (collectively, "WorldCom Permits"), (ii) neither WorldCom nor any of its subsidiaries is in violation of any WorldCom Permit, and (iii) no proceedings are pending or, to the knowledge of WorldCom, threatened, to revoke or limit any WorldCom Permit, except, in each case, those the absence or violation of which do not and will not have a WorldCom Material Adverse Effect.

3.12 Finders and Investment Bankers. Neither WorldCom nor any of its officers or directors has employed any broker or finder other than Salomon Brothers Inc or otherwise incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated hereby.

3.13 Contracts. Neither WorldCom nor any of its subsidiaries is a party or is subject to any material note, bond, mortgage, indenture, contract, lease, license, agreement, understanding, instrument, bid or proposal that is required to be described in or filed as an exhibit to any WorldCom Securities Filing ("WorldCom Material Contract") that is not so described in



or filed as required by the Securities Act or the Securities Exchange Act, as the case may be. WorldCom has made available to MFS true and accurate copies of the WorldCom Material Contracts. All such WorldCom Material Contracts are valid and binding and are in full force and effect and enforceable against WorldCom or such subsidiary in accordance with their respective terms, subject to the Enforceability Exceptions. Except as referenced in Section 3.6 above, (i) no Consent of any person is needed in order that each such WorldCom Material Contract shall continue in full force and effect in accordance with its terms without penalty, acceleration or rights of early termination by reason of the consummation of the transactions contemplated by this Agreement, except for Consents the absence of which would not have a WorldCom Material Adverse Effect, and (ii) neither WorldCom nor any of its subsidiaries is in violation or breach of or default under any such WorldCom Material Contract; nor to WorldCom's knowledge is any other party to any such WorldCom Material Contract in violation or breach of or default under any such WorldCom Material Contract in each case where such violation or breach would have a WorldCom Material Adverse Effect.

3.14 Employee Benefit Plans. Except as set forth in Schedule 3.14 attached hereto, there are no material Benefit Plans maintained or contributed to by WorldCom or any of its subsidiaries ("WorldCom Benefit Plan"). No WorldCom Benefit Plan is a defined benefit pension plan subject to Title IV of ERISA or Section 412 of the Code. Each of the WorldCom Benefit Plans has been maintained in material compliance with its terms and all applicable Law, except where the failure to do so would not be reasonably likely to result in a WorldCom Material Adverse Effect.

3.15 Taxes and Returns. (a) Except as disclosed in Schedule 3.15 attached hereto, WorldCom and each of its subsidiaries has timely filed, or caused to be timely filed all material Tax Returns required to be filed by it, and has paid, collected or withheld, or caused to be paid, collected or withheld, all material amounts of Taxes required to be paid, collected or withheld, other than such Taxes for which adequate reserves in the WorldCom Financial Statements have been established or which are being contested in good faith. Except as set forth in Schedule 3.15 attached hereto, there are no claims or assessments pending against WorldCom or any of its subsidiaries for any alleged deficiency in any Tax, and WorldCom has not been notified in writing of any proposed Tax claims or assessments against WorldCom or any of its subsidiaries (other than in each case, claims or assessments for which adequate reserves in the WorldCom Financial Statements have been established or which are being contested in good faith or are immaterial in amount). Except as set forth in Schedule 3.15 attached hereto, neither WorldCom nor any of its subsidiaries has any waivers or extensions of any applicable statute of limitations to assess any material amount of Taxes. Except as

set forth in Schedule 3.15 attached hereto, there are no outstanding requests by WorldCom or any of its subsidiaries for any extension of time within which to file any material Tax Return or within which to pay any material amounts of Taxes shown to be due on any return.

(b) To the best knowledge of WorldCom, there are no liens for material amounts of Taxes on the assets of WorldCom or any of its subsidiaries except for statutory liens for current Taxes not yet due and payable.

3.16 Fairness Opinion. WorldCom's Board of Directors has received from its financial advisors, Salomon Brothers Inc, a written opinion addressed to it for inclusion in the Prospectus/ Proxy Statement to the effect that the Exchange Ratio is fair to the holders of WorldCom Stock from a financial point of view.

3.17 Takeover Statutes and Charter. Assuming MFS and its "associates" and "affiliates" (as defined under 14-2-1110 of the Georgia Business Corporation Code), collectively beneficially own and have beneficially owned at all times during the three-year period prior to the date hereof less than 1% of the shares of WorldCom Stock outstanding (other than shares of WorldCom Stock subject to the WorldCom Option Agreement), Section 14-2-1132 of the Georgia Business Corporation Code is, and shall be inapplicable to the Merger, the WorldCom Option Agreement and the transactions contemplated by this Agreement. As a result of the execution of this Agreement and the WorldCom Option Agreement, MFS is not, and will not be, a "Related Person" as defined in Article Ten of the Amended and Restated Certificate of Incorporation of WorldCom.

3.18 WorldCom Rights Plan. Under the Rights Agreement between WorldCom and The Bank of New York, dated as of the date hereof (the "WorldCom Rights Agreement"), MFS will not become an "Acquiring Person," no "Share

Acquisition Date" or "Distribution Date" (as such terms are defined in the WorldCom Rights Agreement) will occur, and the holders of any rights issued pursuant to the WorldCom Rights Agreement will not be entitled to receive any benefits under the WorldCom Rights Agreement as a result of the approval, execution or delivery of this Agreement, the WorldCom Option Agreement or the consummation of the transactions contemplated hereby and thereby.

ARTICLE IV  
ADDITIONAL COVENANTS OF MFS

MFS represents, covenants and agrees as follows:

4.1 Conduct of Business of MFS and MFS Subsidiaries. Except as expressly contemplated by this Agreement, during the period from the date of this Agreement to the Effective Time, MFS shall conduct, and it shall cause its subsidiaries to conduct,

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its or their businesses in the ordinary course and consistent with past practice, subject to the limitations contained in this Agreement, and MFS shall, and it shall cause its subsidiaries to, use its or their reasonable business efforts to preserve intact its business organization, to keep available the services of its officers and employees and to maintain satisfactory relationships with all persons with whom it does business. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or as otherwise set forth in the MFS Disclosure Letter (as hereinafter defined), after the date of this Agreement and prior to the Effective Time, neither MFS nor any of its subsidiaries will, without the prior written consent of WorldCom:

(i) amend or propose to amend its Certificate or Articles of

Incorporation or Bylaws (or comparable governing instruments) in any material respect;

(ii) authorize for issuance, issue, grant, sell, pledge, dispose of or propose to issue, grant, sell, pledge or dispose of any shares of, or any options, warrants, commitments, subscriptions or rights of any kind to acquire or sell any shares of, the capital stock or other securities of MFS or any of its subsidiaries including, but not limited to, any securities convertible into or exchangeable for shares of stock of any class of MFS or any of its subsidiaries, except for the issuance of shares of MFS Common Stock pursuant to the exercise of stock options or warrants or the conversion of convertible securities outstanding on the date of this Agreement in accordance with their present terms and except for the grant of employee stock options and issuance of MFS Common Stock pursuant to the exercise thereof, in the ordinary course of business consistent with past practice, and except for the issuance of shares of MFS Common Stock in accordance with the terms of acquisitions approved by WorldCom; and

(iii) split, combine or reclassify any shares of its capital stock or declare, pay or set aside any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, other than dividends or distributions to MFS or a subsidiary of MFS and dividends required under the present terms of the MFS Preferred Stock, or directly or indirectly redeem, purchase or otherwise acquire or offer to acquire any shares of its capital stock or other securities;

(iv) other than as contemplated by its May 6, 1996 business plans or in the ordinary course of business consistent with past practice, (a) create, incur or assume any debt or obligations in respect of capital leases, except refinancings of existing obligations on terms that are no less favorable to MFS or its subsidiaries than the existing terms; (b) assume, guarantee, endorse or otherwise become liable or responsible

(whether directly, indirectly, contingently or otherwise) for the obligations of any person; (c) make any capital expenditures or make any loans, advances or capital contributions to, or investments in, any other person (other than to a MFS subsidiary and customary travel, relocation or business advances to employees) made in the ordinary course of business consistent with past practice; (d) acquire the stock or assets of, or merge or consolidate with, any other person; (e) voluntarily incur any material liability or obligation (absolute, accrued, contingent or otherwise); or (f) sell, transfer, mortgage, pledge or otherwise dispose of, or encumber, or agree to sell, transfer, mortgage, pledge or otherwise dispose of or encumber, any assets or properties, real, personal or mixed material to MFS and its subsidiaries taken as a whole other than to secure debt permitted under (a) of this clause (iv);

(v) increase in any manner the compensation of any of its officers or employees or enter into, establish, amend or terminate any employment, consulting, retention, change in control, collective bargaining, bonus or other incentive compensation, profit sharing, health or other welfare, stock option or other equity, pension, retirement, vacation, severance, deferred compensation or other compensation or benefit plan, policy, agreement, trust, fund or arrangement with, for or in respect of, any shareholder, officer, director, other employee, agent, consultant or affiliate other than as required pursuant to the terms of agreements in effect on the date of this Agreement and such as are in the ordinary course of business consistent with past practice;

(vi) enter into any lease or amend any lease of real property other than in the ordinary course of business consistent with past practice; or

(vii) consent to the transfer of any shares of the Series B Preferred.

Furthermore, MFS covenants, represents and warrants that from and after the date of this Agreement, unless WorldCom shall otherwise expressly consent in writing, MFS shall, and MFS shall cause each of its subsidiaries to, use its or their reasonable business efforts to comply in all material respects with all Laws applicable to it or any of its properties, assets or business and maintain in full force and effect all MFS Permits necessary for, or otherwise material to, such business.

4.2 Notification of Certain Matters. MFS shall give prompt notice to WorldCom if any of the following occur after the date of this Agreement:

- (i) any notice of, or other communication relating to, a default or Event which, with notice or lapse of time or both, would become a default under any MFS Material Contract which could have a MFS Material Adverse Effect;
- (ii) receipt of any notice or other communication in writing from

any third party alleging that the Consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, provided that such Consent would have been required to have been disclosed in this Agreement; (iii) receipt of any material notice or other communication from any Governmental Authority (including, but not limited to, the NASD or any securities exchange) in connection with the transactions contemplated by this Agreement; (iv) the occurrence of an Event which could have a MFS Material Adverse Effect; (v) the commencement or threat of any Litigation involving or affecting MFS or any of its subsidiaries, or any of their respective properties or assets, or, to its knowledge, any employee, agent, director or officer, in his or her capacity as such, of MFS or any of its subsidiaries which, if pending on the date hereof, would have been required to have been disclosed in this Agreement or which relates to the consummation of the Merger or any material development in connection with any Litigation disclosed by MFS in or pursuant to this Agreement or the MFS Securities Filings; and (vi) the occurrence of any Event that could cause a breach by MFS of any provision of this Agreement or a MFS Ancillary Agreement, including such a breach that could occur if such Event had taken place on or prior to the date of this Agreement.

4.3 Access and Information. Between the date of this Agreement and the Effective Time, MFS and its subsidiaries will give, and shall direct its accountants and legal counsel to give, WorldCom, its lenders and their respective authorized representatives (including, without limitation, financial advisors, accountants and legal counsel) at all reasonable times access as reasonably requested to all offices and other facilities and to all contracts, agreements, commitments, books and records (including, but not limited to, Tax Returns) of or pertaining to MFS and its subsidiaries, will

permit the foregoing to make such reasonable inspections as they may require and will cause its officers promptly to furnish WorldCom with (a) such financial and operating data and other information with respect to the business and properties of MFS and its subsidiaries as WorldCom may from time to time reasonably request, and (b) a copy of each material report, schedule and other document filed or received by MFS or any of its subsidiaries pursuant to the requirements of applicable securities laws or the NASD.

4.4 Stockholder Approval. As soon as practicable, MFS will take all steps necessary to duly call, give notice of, convene and hold a meeting of its stockholders for the purpose of approving the MFS Proposals and for such other purposes as may be necessary or desirable in connection with effectuating the transactions contemplated hereby. Except as otherwise contemplated by this Agreement, the Board of Directors of MFS (i) will recommend to the stockholders of MFS that they approve the MFS Proposals, and (ii) will use its reasonable best efforts to obtain any necessary approval by MFS's stockholders of the MFS

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Proposals including, without limitation, voting the MFS Shares and MFS Preferred Shares held by such Directors for such adoption and approval.

4.5 Reasonable Business Efforts. Subject to the terms and conditions herein provided, MFS agrees to use its reasonable business efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Merger and the transactions contemplated by this Agreement including, but not limited to (i) obtaining the Consent of MFS's lenders and others to this Agreement and the transactions contemplated hereby,

(ii) the defending of any Litigation against MFS or any of its subsidiaries challenging this Agreement or the consummation of the transactions contemplated hereby, (iii) obtaining all Consents from Governmental Authorities required for the consummation of the Merger and the transactions contemplated thereby, and (iv) timely making all necessary filings under the HSR Act. Upon the terms and subject to the conditions hereof, MFS agrees to use reasonable business efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to satisfy the other conditions of the closing set forth herein.

4.6 Public Announcements. So long as this Agreement is in effect, MFS shall not, and shall cause its affiliates not to, issue or cause the publication of any press release or any other announcement with respect to the Merger, the MFS Proposals, the WorldCom Proposals, the MFS Option Agreement, the WorldCom Option Agreement or the transactions contemplated hereby or thereby without the consent of WorldCom, except where such release or announcement is required by applicable Law or pursuant to any applicable listing agreement with, or rules or regulations of, the NASD, in which case MFS, prior to making such announcement, shall consult with WorldCom regarding the same.

4.7 Compliance. In consummating the Merger and the transactions contemplated hereby, MFS shall comply in all material respects with the provisions of the Securities Exchange Act and the Securities Act and shall comply, and/or cause its subsidiaries to comply or to be in compliance, in all material respects, with all other applicable Laws.

4.8 No Solicitation. (a) MFS shall, and shall direct and use reasonable efforts to cause its officers, directors, employees, representatives and agents to, immediately cease any discussions or negotiations with any parties that may be ongoing with respect to a MFS Takeover Proposal (as hereinafter defined). MFS shall not, nor shall it permit any of its subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by it or any of its subsidiaries to, directly or indirectly, (i) solicit,



initiate or encourage (including by way of furnishing information), or take any other action designed or reasonably likely to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any MFS Takeover Proposal or (ii) participate in any discussions or negotiations regarding any MFS Takeover Proposal; provided, however, that if, at any time prior to the Effective Time, the Board of Directors of MFS determines in good faith, after consultation with outside counsel, that it is necessary to do so in order to comply with its fiduciary duties to MFS's stockholders under applicable law, MFS may, in response to a MFS Takeover Proposal which was not solicited subsequent to the date hereof, and subject to compliance with Section 4.8(c), (x) furnish information with respect to MFS to any person pursuant to a customary confidentiality agreement (as determined by MFS after consultation with its outside counsel) and (y) participate in negotiations regarding such MFS Takeover Proposal. Except as expressly provided in a separate letter agreement of even date herewith agreed to by WorldCom and MFS (the "MFS Disclosure Letter"), "MFS Takeover Proposal" means any inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of 15% or more of the assets of MFS and its subsidiaries or 15% or more of any class of equity securities of MFS or any of its subsidiaries, any tender offer or exchange offer that if consummated would result in any person beneficially owning 15% or more of any class of equity securities of MFS or any of its subsidiaries, any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving MFS or any of its subsidiaries, other than the transactions contemplated by this Agreement, or any other transaction the consummation of which could reasonably be expected to impede, interfere with, prevent or materially delay the Merger or which would reasonably be expected to dilute materially the benefits to WorldCom of the transactions contemplated by this Agreement.

(b) Except as set forth in this Section 4.8, neither the Board of Directors of MFS nor any committee thereof shall (i) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to WorldCom, the approval or recommendation by such Board of Directors or such committee of the MFS Proposals, (ii) approve or recommend, or propose publicly to approve or recommend, any MFS Takeover Proposal or (iii) cause MFS to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, a "MFS Acquisition Agreement") related to any MFS Takeover Proposal. Notwithstanding the foregoing, in the event that prior to the Effective Time the Board of Directors of MFS determines in good faith, after consultation with outside counsel, that it is necessary to do so in order to comply with its fiduciary duties to MFS's stockholders under applicable law, the Board of Directors of MFS may (subject to this and the

following sentences) (x) withdraw or modify its approval or recommendation

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of the MFS Proposals or (y) approve or recommend a MFS Superior Proposal (as defined below) or terminate this Agreement (and concurrently with or after such termination, if it so chooses, cause MFS to enter into any MFS Acquisition Agreement with respect to any MFS Superior Proposal), but in each of the cases set forth in this clause (y), only at a time that is after the tenth business day following WorldCom's receipt of written notice advising WorldCom that the Board of Directors of MFS has received a MFS Superior Proposal, specifying the material terms and conditions of such MFS Superior Proposal and identifying the person making such MFS Superior Proposal. Any such withdrawal or modification of the recommendation of the MFS Proposals shall not change the approval of the Board of Directors of MFS for purposes of causing Section 203 of the Delaware Code to be inapplicable to the MFS Proposals and the MFS Option Agreement or the status of WorldCom as other than an "Acquiring Person" under the MFS Rights Agreement and shall not directly or indirectly cause a "Stock Acquisition Date" or a "Distribution Date" (as such terms are defined in the MFS Rights Agreement) to occur. For purposes of this Agreement, a "MFS Superior Proposal" means any bona fide proposal made by a third party to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 15% of the combined voting power of the shares of MFS Common Stock and MFS Preferred Stock then outstanding or all or substantially all the assets of MFS and otherwise on terms which the Board of Directors of MFS determines in its good faith judgment (based on the advice of a financial advisor of nationally recognized reputation) to be materially more favorable to MFS's stockholders than the Merger and for which financing, to the extent required, is then committed or which, in the good faith judgment of

the Board of Directors of MFS, is reasonably capable of being financed by such third party.

(c) In addition to the obligations of MFS set forth in paragraphs (a) and (b) of this Section 4.8, MFS shall immediately advise WorldCom orally and in writing of any request for information or of any MFS Takeover Proposal, the material terms and conditions of such request or MFS Takeover Proposal and the identity of the person making such request or MFS Takeover Proposal. MFS will keep WorldCom fully informed of the status and details (including amendments or proposed amendments) of any such request or MFS Takeover Proposal.

(d) Nothing contained in this Section 4.8 shall prohibit MFS from taking and disclosing to its stockholders a position contemplated by Rule 14e-2(a) promulgated under the Securities Exchange Act or from making any disclosure to MFS's stockholders if, in the good faith judgment of the Board of Directors of MFS, after consultation with outside counsel, failure so to disclose would be inconsistent with its fiduciary duties to MFS's stockholders under applicable law; provided, however, neither MFS nor its Board of Directors nor any committee thereof shall, except as permitted by Section 4.8(b), withdraw or

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modify, or propose publicly to withdraw or modify, its position with respect to the MFS Proposals or approve or recommend, or propose publicly to approve or recommend, a MFS Takeover Proposal.

4.9 SEC and Stockholder Filings. MFS shall send to WorldCom a copy of all material public reports and materials as and when it sends the same to its stockholders, the SEC or any state or foreign securities commission.

4.10 Tax Opinion Certification. MFS shall execute and deliver a certificate in a form satisfactory to the counsel of both MFS and WorldCom, signed by an officer of MFS setting forth factual representations and covenants that will serve as a basis for the tax opinions required pursuant to Section 6.1.8 of this Agreement ("MFS Tax Opinion Certificate").

4.11 Affiliate Agreements. MFS shall use reasonable business efforts to ensure that each person who is or may be an "affiliate" of MFS within the meaning of Rule 145 promulgated under the Securities Act shall enter into an agreement in the form attached hereto as Schedule 4.11.

4.12 Takeover Statutes. If any "fair price," "moratorium," "control share acquisition" or other similar antitakeover statute or regulation enacted under state or federal laws in the United States (each a "Takeover Statute"), including, without limitation, Section 203 of the Delaware Code, is or may become applicable to the Merger, the MFS Proposals or the MFS Option Agreement, MFS and the members of its Board of Directors will grant such approvals, and take such actions as are necessary so that the transactions contemplated by this Agreement, the MFS Proposals and the MFS Option Agreement may be consummated as promptly as practicable on the terms contemplated hereby and thereby and otherwise act to eliminate or minimize the effects of any Takeover Statute on any of the transactions contemplated hereby or thereby.

4.13 Comfort Letters. Upon the request of WorldCom, MFS shall use reasonable business efforts to provide to WorldCom prior to the Effective Time "comfort letters" from the independent certified public accountants for MFS and its subsidiaries dated the date on which the Registration Statement, or last amendment thereto, shall become effective, and dated the Closing Date, addressed to the Board of Directors of each of MFS and WorldCom, covering such matters as WorldCom shall reasonably request with respect to facts concerning the financial condition of MFS and its subsidiaries and customary for such certified public accountants to deliver in connection with a transaction similar to the Merger.

ARTICLE V  
ADDITIONAL COVENANTS OF WORLDCOM

WorldCom covenants and agrees as follows:

5.1 Conduct of Business of WorldCom and the WorldCom Subsidiaries. Except as expressly contemplated by this Agreement, during the period from the date of this Agreement to the Effective Time, WorldCom shall conduct, and it shall cause its subsidiaries to conduct, its or their businesses in the ordinary course and consistent with past practice, subject to the limitations contained in this Agreement, and WorldCom shall, and it shall cause its subsidiaries to, use its or their reasonable business efforts to preserve intact its business organization, to keep available the services of its officers and employees and to maintain satisfactory relationships with all persons with whom it does business. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or as otherwise set forth in the WorldCom Disclosure Letter (as hereinafter defined), after the date hereof and prior to the Effective Time, neither WorldCom nor any of its subsidiaries will, without the prior written consent of MFS:

(i) amend or propose to amend its Certificate or Articles of Incorporation or Bylaws (or comparable governing instruments) in any material respect;

(ii) authorize for issuance, issue, grant, sell, pledge, dispose of or propose to issue, grant, sell, pledge or dispose of any shares of, or any options, warrants, commitments, subscriptions or rights of any kind to acquire or sell any shares of, the capital stock or other securities of WorldCom or any of its subsidiaries including, but not limited to, any securities convertible into or exchangeable for shares of stock of any class of WorldCom or any of its subsidiaries, except for the issuance of shares of WorldCom Stock pursuant to the exercise of stock options outstanding on the date of this Agreement in accordance with their present terms and except for the grant of employee stock options and issuance of shares of WorldCom Stock pursuant to the exercise thereof in the ordinary course of business consistent with past practice, and except for the issuance of shares of WorldCom Stock in accordance with the terms of acquisitions approved by MFS, or pursuant to the terms of rights or obligations referred to in Schedule 3.2;

(iii) split, combine or reclassify any shares of its capital stock or declare, pay or set aside any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, other than dividends or distributions to WorldCom or a subsidiary of WorldCom, or directly or indirectly redeem, purchase or otherwise acquire or offer to acquire any shares of its capital stock or other securities;

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(iv) sell, transfer, mortgage, pledge or otherwise dispose of, or encumber, or agree to sell, transfer, mortgage, pledge or otherwise dispose of or encumber, any assets or properties, real, personal or mixed, material to WorldCom and its subsidiaries taken as a whole, other than in the ordinary course of business consistent with past practice; or

(v) increase in any manner the compensation of any of its officers or employees or enter into, establish, amend or terminate any employment, consulting, retention, change in control, collective bargaining, bonus or other incentive compensation, profit sharing, health or other welfare, stock option or other equity, pension, retirement, vacation, severance, deferred compensation or other compensation or benefit plan, policy, agreement, trust, fund or arrangement with, for or in respect of, any shareholder, officer, director, other employee, agent, consultant or affiliate other than as required pursuant to the terms of agreements in effect on the date of this Agreement and such as are in the ordinary course of business consistent with past practice.

Furthermore, WorldCom covenants, represents and warrants that from and after the date of this Agreement, unless MFS shall otherwise expressly consent in writing, WorldCom shall, and WorldCom shall cause each of its subsidiaries to, use its or their reasonable business efforts to comply in all

material respects with all Laws applicable to it or any of its properties, assets or business and maintain in full force and effect all the WorldCom Permits necessary for, or otherwise material to, such business.

5.2 Notification of Certain Matters. WorldCom shall give prompt notice to MFS if any of the following occur after the date of this Agreement: (i) any notice of, or other communication relating to, a default or Event which, with notice or lapse of time or both, would become a default under any WorldCom Material Contract which could have a WorldCom Material Adverse Effect; (ii) receipt of any notice or other communication in writing from any third party alleging that the Consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, provided that such Consent would have been required to have been disclosed in this Agreement; (iii) receipt of any material notice or other communication from any Governmental Authority (including, but not limited to the NASD or any securities exchange) in connection with the transactions contemplated by this Agreement; (iv) the occurrence of an Event which could have a WorldCom Material Adverse Effect; (v) the commencement or threat of any Litigation involving or affecting WorldCom or any of its subsidiaries or any of their respective properties or assets, or, to its knowledge, any employee, agent, director or officer, in his or her capacity as such, of WorldCom or any of its subsidiaries which, if pending on the date hereof, would have been required to have been

disclosed in this Agreement or which relates to the consummation of the Merger or any material development in connection with any Litigation disclosed by WorldCom in or pursuant to this Agreement or the WorldCom Securities Filings; and (vi) the occurrence of any Event that could cause a breach by WorldCom of

any provision of this Agreement or a WorldCom Ancillary Agreement, including such a breach that could occur if such Event had taken place on or prior to the date of this Agreement.

5.3 Access and Information. Between the date of this Agreement and the Effective Time, WorldCom and its subsidiaries will give, and shall direct its accountants and legal counsel to give MFS, and their respective authorized representatives (including, without limitation, its lenders, financial advisors, accountants and legal counsel) at all reasonable times access as reasonably requested to all offices and other facilities and to all contracts, agreements, commitments, books and records (including, but not limited to, Tax Returns) of or pertaining to WorldCom and its subsidiaries, will permit the foregoing to make such reasonable inspections as they may require and will cause its officers promptly to furnish MFS with (a) such financial and operating data and other information with respect to the business and properties of WorldCom and its subsidiaries as MFS may from time to time reasonably request, and (b) a copy of each material report, schedule and other document filed or received by WorldCom or any of its subsidiaries pursuant to the requirements of applicable securities laws or the NASD.

5.4 Shareholder Approval. As soon as practicable, WorldCom will take all steps necessary to duly call, give notice of, convene and hold a meeting of its shareholders for the purpose of approving the WorldCom Proposals, for such other purposes as may be necessary or desirable in connection with effectuating the transactions contemplated hereby and for such other purposes as WorldCom shall determine. Except as otherwise contemplated by this Agreement, the Board of Directors of WorldCom (i) will recommend to the shareholders of WorldCom that they approve the WorldCom Proposals, and (ii) will use its reasonable best efforts to obtain any necessary approval by WorldCom's shareholders of the WorldCom Proposals, including, without limitation, voting the WorldCom Stock held by such Directors for such approval.

5.5 Reasonable Business Efforts. Subject to the terms and conditions herein provided, WorldCom agrees to use its reasonable business efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Merger and the transactions contemplated by this Agreement including, but not limited to (i) obtaining the Consent of WorldCom's lenders to this Agreement and the transactions contemplated hereby, (ii) the defending of any Litigation against WorldCom or any of its subsidiaries



challenging this Agreement or the consummation of the transactions contemplated hereby, (iii) obtaining all Consents from Governmental Authorities required for the consummation of the Merger and the transactions contemplated thereby, and (iv) timely making all necessary filings under the HSR Act. Upon the terms and subject to the conditions hereof, WorldCom agrees to use reasonable business efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary to satisfy the other conditions of the closing set forth herein.

5.6 Public Announcements. So long as this Agreement is in effect, WorldCom shall not, and shall cause its affiliates not to, issue or cause the publication of any press release or any other announcement with respect to the Merger, the WorldCom Proposals, the MFS Proposals, the WorldCom Option Agreement, the MFS Option Agreement or the transactions contemplated hereby or thereby without the consent of MFS, except where such release or announcement is required by applicable Law or pursuant to any applicable listing agreement with, or rules or regulations of, the NASD, in which case WorldCom, prior to making such announcement, will consult with MFS regarding the same.

5.7 Compliance. In consummating the Merger and the transactions contemplated hereby, WorldCom shall comply in all material respects with the provisions of the Securities Exchange Act and the Securities Act and shall comply, and/or cause its subsidiaries to comply or to be in compliance, in all material respects, with all other applicable Laws.

5.8 No Solicitation. (a) WorldCom shall, and shall direct and use reasonable efforts to cause its officers, directors, employees, representatives and agents to, immediately cease any discussions or negotiations with any parties that may be ongoing with respect to a WorldCom Takeover Proposal (as hereinafter defined). WorldCom shall not, nor shall it permit any of its subsidiaries to, nor shall it authorize or permit any of its officers, directors or employees or any investment banker, financial advisor, attorney, accountant or other representative retained by it or any of its subsidiaries to, directly or indirectly, (i) solicit, initiate or encourage (including by way of furnishing information), or take any other action designed or reasonably likely to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any

WorldCom Takeover Proposal or (ii) participate in any discussions or negotiations regarding any WorldCom Takeover Proposal; provided, however, that if, at any time prior to the Effective Time, the Board of Directors of WorldCom determines in good faith, after consultation with outside counsel, that it is necessary to do so in order to comply with its fiduciary duties to WorldCom's shareholders under applicable law, WorldCom may, in response to a WorldCom Takeover Proposal which was not solicited subsequent to the date hereof, and subject to compliance with Section 5.8(c), (x) furnish information with respect to WorldCom

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to any person pursuant to a customary confidentiality agreement (as determined by WorldCom after consultation with its outside counsel) and (y) participate in negotiations regarding such WorldCom Takeover Proposal. Except as expressly provided in a separate letter agreement of even date herewith agreed to by WorldCom and MFS (the "WorldCom Disclosure Letter"), "WorldCom Takeover Proposal" means any inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of 15% or more of the assets of WorldCom and its subsidiaries or 15% or more of any class of equity securities of WorldCom or any of its subsidiaries, any tender offer or exchange offer that if consummated would result in any person beneficially owning 15% or more of any class of equity securities of WorldCom or any of its subsidiaries, any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving WorldCom or any of its subsidiaries, other than the transactions contemplated by this Agreement, or any other transaction the consummation of which could reasonably be expected to impede, interfere with, prevent or materially delay the Merger or which would reasonably be expected to dilute materially the benefits to MFS of the transactions contemplated by this Agreement.

(b) Except as set forth in this Section 5.8, neither the Board of Directors of WorldCom nor any committee thereof shall (i) withdraw or modify, or propose publicly to withdraw or modify, in a manner adverse to MFS, the approval or recommendation by such Board of Directors or such committee of the WorldCom Proposals, (ii) approve or recommend, or propose publicly to approve or recommend, any WorldCom Takeover Proposal or (iii) cause WorldCom to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, a "WorldCom Acquisition Agreement") related to any WorldCom Takeover Proposal. Notwithstanding the foregoing, in the event that prior to the Effective Time the Board of Directors of WorldCom determines in good faith, after consultation with outside counsel, that it is necessary to do so in order to comply with its fiduciary duties to WorldCom's shareholders under applicable law, the Board of Directors of WorldCom may (subject to this and the following sentences) (x) withdraw or modify its approval or recommendation of the WorldCom Proposals or (y) approve or recommend a WorldCom Superior Proposal (as defined below) or terminate this Agreement (and concurrently with or after such termination, if it so chooses, cause WorldCom to enter into any WorldCom Acquisition Agreement with respect to any WorldCom Superior Proposal), but in each of the cases set forth in this clause (y), only at a time that is after the tenth business day following MFS's receipt of written notice advising MFS that the Board of Directors of WorldCom has received a WorldCom Superior Proposal, specifying the material terms and conditions of such WorldCom Superior Proposal and identifying the person making such WorldCom Superior Proposal. Any such withdrawal or modification of the

Board of Directors of WorldCom for purposes of Section 14-2-1132 of the Georgia Business Corporation Code or Article Ten of the Amended and Restated Articles of Incorporation of WorldCom. For purposes of this Agreement, a "WorldCom Superior Proposal" means any bona fide proposal made by a third party to acquire, directly or indirectly, for consideration consisting of cash and/or securities, more than 15% of the combined voting power of the shares of WorldCom Stock and WorldCom Preferred Stock then outstanding or all or substantially all the assets of WorldCom and otherwise on terms which the Board of Directors of WorldCom determines in its good faith judgment (based on the advice of a financial advisor of nationally recognized reputation) to be materially more favorable to WorldCom's shareholders than the Merger and for which financing, to the extent required, is then committed or which, in the good faith judgment of the Board of Directors of WorldCom, is reasonably capable of being financed by such third party.

(c) In addition to the obligations of WorldCom set forth in paragraphs (a) and (b) of this Section 5.8, WorldCom shall immediately advise MFS orally and in writing of any request for information or of any WorldCom Takeover Proposal, the material terms and conditions of such request or WorldCom Takeover Proposal and the identity of the persons making such request or WorldCom Takeover Proposal. WorldCom will keep MFS fully informed of the status and details (including amendments or proposed amendments) of any such request or WorldCom Takeover Proposal.

(d) Nothing contained in this Section 5.8 shall prohibit WorldCom from taking and disclosing to its shareholders a position contemplated by Rule 14e-2(a) promulgated under the Securities Exchange Act or from making any disclosure to WorldCom's shareholders if, in the good faith judgment of the Board of Directors of WorldCom, after consultation with outside counsel, failure so to disclose would be inconsistent with its fiduciary duties to WorldCom's shareholders under applicable law; provided, however, neither WorldCom nor its Board of Directors nor any committee thereof shall, except as permitted by Section 5.8(b), withdraw or modify, or propose publicly to withdraw or modify, its position with respect to the WorldCom Proposals or approve or recommend, or propose publicly to approve or recommend, a WorldCom Takeover Proposal.

5.9 SEC and Shareholder Filings. WorldCom shall send to MFS a copy of all material public reports and materials as and when it sends the same to its shareholders, the SEC or any state or foreign securities commission.

5.10 Tax Opinion Certificates. WorldCom shall execute and deliver a certificate in form satisfactory to the counsel of MFS and WorldCom, signed by an officer of WorldCom setting forth

factual representations and covenants that will serve as a basis for the tax opinions required pursuant to Section 6.1.8 of this Agreement ("WorldCom Tax Opinion Certificate").

5.11 Board Representation. WorldCom's Board of Directors will take action to cause the number of directors comprising the full Board of Directors of WorldCom at the Effective Time to consist of an odd number of directors, with MFS being entitled to designate one less director than WorldCom (the "Nominees"). It is the intent of the parties that membership on the compensation and stock option, audit and nominating committees of WorldCom's Board of Directors shall initially consist of an equal number of designees of WorldCom and MFS.

#### 5.12 Employee Benefit Plans.

(a) Benefit Plans. After the Effective Time, WorldCom shall arrange for each employee participating in any of the Benefit Plans of MFS or an MFS subsidiary as are in effect on the date hereof to participate in any counterpart Benefit Plans of WorldCom in accordance with the eligibility criteria thereof, provided that (i) such participants shall receive full credit for years of service with MFS or any of its subsidiaries prior to the Merger for all purposes for which such service was recognized under the Benefit Plan of MFS or such subsidiary including, but not limited to, recognition of service for eligibility, vesting, and, to the extent not duplicative of benefits received under such Benefit Plan of MFS or such subsidiary, the amount of benefits, (ii) such participants shall participate in the Benefit Plans of WorldCom on terms no less favorable than those offered by WorldCom to similarly situated employees of WorldCom; and (iii) WorldCom shall cause any and all pre-existing condition limitations (to the extent such limitations did not apply to a pre-existing condition under MFS' Benefit Plans) and eligibility waiting periods under any group health plans to be waived with respect to such participants and their eligible dependents.

(b) Change in Control Provisions. Except with respect to MFS

Outperformance Options, which shall be treated as described in Section 1.6(b) above, WorldCom and MFS hereby acknowledge that the Merger and the consummation of the transactions contemplated under this Agreement will be treated as a "Change in Control" for purposes of each of the applicable MFS Benefit Plans and each applicable employment, severance or similar agreement applicable to any employee of MFS or any of its subsidiaries listed on Schedule 5.12(b) attached hereto (collectively, "Change in Control Agreements") and agree to abide by the provisions of any Benefit Plans and Change in Control Agreements which relate to a Change in Control, including, but not limited to, the accelerated vesting and/or payment of equity-based awards.

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(c) Treatment under Section 280G of the Code. With respect to any income tax filing relating to Sections 280G or 4999 of the Code, WorldCom hereby agrees that it shall take, and shall cause its subsidiaries to take, the position that none of the execution of this Agreement, the approval of this Agreement by stockholders of MFS, or the consummation of the Merger shall constitute a change in the ownership or effective control of MFS or a change in the ownership of a substantial portion of the assets of MFS within the meaning of Section 280G of the Code, and further agrees that, consistent with such position, it shall not withhold from any amounts payable to any MFS employee by reason of consummation of the transactions contemplated hereby (including by reason of any termination of employment of any such employee within specified periods following the Effective Time) any amounts in respect of the excise tax described in Section 4999 of the Code unless, as a result of a change in relevant "authority" (as such term is defined in Treasury Regulation 1.6662-4)(d)(3)(iii) for purposes of Section 6662 of the Code) which occurs after the date hereof, such position ceases to be supported by a

good faith interpretation of relevant authority (as so defined).

5.13 Indemnification. The indemnification provisions of the By-laws and the Certificate of Incorporation of the Surviving Corporation shall not be amended, repealed or otherwise modified for a period of six years after the Closing Date in any manner that would adversely affect the rights thereunder of individuals who immediately prior to the Closing Date were directors, officers, agents or employees of MFS unless otherwise required by applicable Law. From and after the Effective Time, WorldCom and the Surviving Corporation shall jointly and severally indemnify, defend and hold harmless the directors, officers and agents of MFS as provided in MFS's Certificate of Incorporation, By-Laws or indemnification agreements, as in effect as of the date hereof, with respect to matters occurring through the Closing Date. To the extent available, WorldCom agrees to cause the Surviving Corporation to maintain in effect for not less than three years after the Closing Date policies of directors' and officers' liability insurance comparable to those maintained by MFS with carriers comparable to MFS's existing carriers and containing terms and conditions which are no less advantageous in any material respect to the officers, directors and employees of MFS; provided, however, that the Surviving Corporation shall not be required to pay an annual premium for such insurance in excess of two times the last annual premium paid prior to the date hereof, but in such case shall purchase as much coverage as possible for such amount.

5.14 Takeover Statutes. If any Takeover Statute, including, without limitation, Section 14-2-1132 of the Georgia Business Corporation Code, is or may become applicable to the Merger, the WorldCom Proposals or the WorldCom Option Agreement, WorldCom and the members of its Board of Directors will grant

such approvals, and take such actions as are necessary so that the transactions contemplated by this Agreement, the WorldCom Proposals and the WorldCom Option Agreement may be consummated as promptly as practicable on the terms contemplated hereby and thereby and otherwise act to eliminate or minimize the effects of any Takeover Statute on any of the transactions contemplated hereby or thereby.

5.15 Comfort Letters. Upon the request of MFS, WorldCom shall use reasonable business efforts to provide to MFS prior to the Effective Time "comfort letters" from the independent certified public accountants for WorldCom and its subsidiaries, dated the date on which the Registration Statement, or last amendment thereto, shall become effective, and dated the Closing Date, addressed to the Board of Directors of each of MFS and WorldCom, covering such matters as MFS shall reasonably request with respect to facts concerning the financial condition of WorldCom and its subsidiaries and customary for such certified public accountants to deliver in connection with a transaction similar to the Merger.

## ARTICLE VI CONDITIONS

6.1 Conditions to Each Party's Obligations. The respective obligations of each party to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following conditions:

6.1.1 Stockholder Approval. The MFS Proposals shall have been approved at or prior to the Effective Time by the requisite vote of the stockholders of MFS in accordance with the Delaware Code and the WorldCom Proposals shall have been approved by the requisite vote of the shareholders of WorldCom in accordance with applicable Law and the rules and regulations of the NASD.

6.1.2 No Injunction or Action. No order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been enacted, entered, promulgated or enforced by any court or other Governmental Authority which prohibits or prevents the consummation of the Merger which has not been vacated, dismissed or withdrawn by the Effective Time. MFS and WorldCom shall use their reasonable best efforts to have any of the foregoing vacated, dismissed or withdrawn by the Effective Time.

6.1.3 Governmental Approvals. All Consents of any Governmental Authority required for the consummation of the Merger and the transactions



contemplated by this Agreement shall have been obtained by Final Order (as hereafter defined), except as may be waived by WorldCom and MFS or those Consents the failure of which to obtain will not have a Surviving Corporation Material Adverse Effect (as defined below). The term "Final Order" with respect to any Consent of a Governmental Authority shall mean an action by the appropriate Governmental Authority as to which: (i) no request for stay by such Governmental Authority of the action is pending, no such stay is in effect, and, if any deadline for filing any such request is designated by statute or regulation, it has passed; (ii) no petition for rehearing or reconsideration of the action is pending before such Governmental Authority, and no appeal or comparable administrative remedy with such or any other Governmental Authority is pending before such Governmental Authority, and the time for filing any such petition, appeal or administrative remedy has passed; (iii) such Governmental Authority does not have the action under reconsideration on its own motion and the time for such reconsideration has passed; and (iv) no appeal to a court, or request for stay by a court, of the Governmental Authority action is pending or in effect, and if any deadline for filing any such appeal or request is designated by statute or rule, it has passed.

6.1.4 HSR Act. Any waiting period applicable to the Merger under the HSR Act shall have expired or earlier termination thereof shall have been granted and no action, suit, proceeding or investigation shall have been instituted by either the United States Department of Justice or the Federal Trade Commission to prevent the consummation of the transactions contemplated by this Agreement or to modify or amend such transactions in any material manner, or if any such action, suit, proceeding or investigation shall have been instituted, it shall have been withdrawn or a final judgment shall

have been entered against such Department or Commission, as the case may be.

6.1.5 Required Consents. Any required Consents of any person to the Merger or the transactions contemplated hereby, including, without limitation, the Consents of the respective lenders of WorldCom and MFS, shall have been obtained and be in full force and effect, except for those the failure of which to obtain will not have a material adverse effect on the business, assets (including, but not limited to, intangible assets), prospects, condition (financial or otherwise), properties (including, but not limited to, intangible properties), liabilities or the result of operations of the Surviving Corporation and its

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subsidiaries taken as a whole ("Surviving Corporation Material Adverse Effect") or a WorldCom Material Adverse Effect.

6.1.6 Registration Statement. The Registration Statement shall have been declared effective and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no action, suit, proceeding or investigation for that purpose shall have been initiated or threatened by any Governmental Authority.

6.1.7 Blue Sky. WorldCom shall have received all state

securities law authorizations necessary to consummate the transactions contemplated hereby.

6.1.8 Tax Opinion. WorldCom shall have received an opinion from WorldCom's tax counsel and MFS shall have received an opinion from MFS's tax counsel substantially to the effect that, if the Merger is consummated in accordance with the provisions of this Agreement, under current Law, for federal income tax purposes, the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code.

6.1.9 Quotation of WorldCom Stock. The shares of WorldCom Stock comprising the Merger Consideration shall have been approved for quotation on The Nasdaq Stock Market.

6.2 Conditions to Obligations of MFS. The obligation of MFS to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by MFS:

6.2.1 WorldCom Representations and Warranties. The representations and warranties of WorldCom contained in this Agreement that are modified by materiality or WorldCom Material Adverse Effect shall be true and correct in all respects and those that are not so modified shall be true and correct in all material respects, on the date hereof and, except for changes not prohibited by this Agreement, as of the Effective Time as if made at the Effective Time.

6.2.2 Performance by WorldCom. WorldCom shall have performed and complied with all of the covenants and agreements in all material respects and satisfied in all material respects all of the conditions required by this Agreement to be performed or complied with or satisfied by WorldCom at or prior to the Effective Time.

6.2.3 No Material Adverse Change. There shall not have occurred after the date hereof any Event that has or reasonably could be expected to have a WorldCom Material Adverse Effect.

6.2.4 Certificates and Other Deliveries. WorldCom shall have delivered to MFS (i) a certificate executed on its behalf by its President or another authorized officer to the effect that the conditions set forth in Subsections 6.2.1, 6.2.2 and 6.2.3, above, have been satisfied; (ii) a certificate of existence from the Secretary of State of the State of Georgia stating that WorldCom is a validly existing corporation; (iii) duly adopted resolutions of the Board of Directors of each of WorldCom and the Board of Directors and stockholder of Acquisition Subsidiary approving the execution, delivery and performance of this Agreement, the WorldCom Ancillary Agreements and the instruments contemplated hereby and thereby, and of the WorldCom shareholders approving the WorldCom Proposals, each certified by its Secretary; (iv) the duly executed WorldCom Tax Opinion Certificate; (v) the supplemental agreement referred to in the last sentence of Section 1.6(a) hereof; and (vi) such other documents and instruments as MFS reasonably may request.

6.2.5 Opinion of WorldCom Counsel. MFS shall have received an opinion of counsel to WorldCom, in form and substance reasonably satisfactory to MFS, covering the matters set forth in Schedule 6.2.5 attached hereto.

6.2.6 Election of Nominees. WorldCom shall have taken all action necessary to cause the Nominees to become members of the Board of Directors of WorldCom as of the Effective Time.

6.3 Conditions to Obligations of WorldCom. The obligations of WorldCom to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions, any one or more of which may be waived by WorldCom:

6.3.1 MFS Representations and Warranties. The representations and warranties of MFS contained in this Agreement that are modified by materiality or MFS Material Adverse Effect shall be true and correct in all respects, and those that are not so modified shall be true and correct in all material respects, on the date hereof and, except for changes not prohibited by this Agreement, as of the Effective Time as if made at the Effective Time.

6.3.2 Performance by MFS. MFS shall have performed and complied with all the covenants and agreements in all material respects and satisfied in all material respects all the conditions required by this Agreement to be performed or complied with or satisfied by MFS at or prior to the Effective Time.

6.3.3 No Material Adverse Change. There shall have not occurred after the date hereof any Event that has or reasonably could be expected to have a MFS Material Adverse Effect or a Surviving Corporation Material Adverse Effect.

6.3.4 Certificates and Other Deliveries. MFS shall have delivered, or caused to be delivered, to WorldCom (i) a certificate executed on its behalf by its Chairman or another duly authorized officer to the effect that the conditions set forth in Subsections 6.3.1, 6.3.2 and 6.3.3, above, have been satisfied; (ii) a certificate of good standing from the Secretary of State of the State of Delaware stating that MFS is a validly existing corporation in good standing; (iii) duly adopted resolutions of the Board of Directors and stockholders of MFS approving the execution, delivery and performance of this Agreement, the MFS Proposals, the MFS Ancillary Agreements and the instruments contemplated hereby and thereby, certified by the Secretary of MFS; (iv) a true and complete copy of the Certificate of Incorporation certified by the Secretary of State of the State of Delaware, and a true and complete copy of the Bylaws of MFS certified by the Secretary thereof; (v) the duly

executed MFS Tax Opinion Certificate; and (vi) such other documents and instruments as WorldCom reasonably may request.

6.3.5 Opinion of MFS Counsel. WorldCom shall have received the opinion of counsel to MFS, in form and substance reasonably satisfactory to MFS, covering the matters set forth in Schedule 6.3.5 attached hereto.

6.3.6 Affiliate Agreements. Each person who is or may be an "affiliate" of MFS within the meaning of Rule 145 of the rules and regulations of the SEC promulgated under the Securities Act shall have entered into an agreement in the form attached hereto as Schedule 4.11.

ARTICLE VII  
TERMINATION AND ABANDONMENT

7.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the stockholders of MFS and the shareholders of WorldCom described herein:

- (a) by mutual written consent of WorldCom and MFS;

(b) by either WorldCom or MFS if:

(i) the Merger shall not have been consummated on or prior to the first anniversary of the date hereof; provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(b) (i) shall not be available to any party whose failure to perform any of its obligations under this Agreement results in the failure of the Merger to be consummated by such time;

(ii) the approval of MFS's stockholders required by Section 6.1.1 shall not have been obtained at a meeting duly convened therefor or at any adjournment or postponement thereof;

(iii) the approval of WorldCom's shareholders as required by Section 6.1.1 shall not have been obtained at a meeting duly convened therefor or at any adjournment or postponement thereof; or

(iv) any Governmental Authority shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibiting the consummation of the Merger and such order, decree or ruling or other action shall have become final and nonappealable;

(c) by WorldCom, if MFS shall have breached in any material respect any of its

representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform is incapable of being cured or has not been cured within 20 days after the giving of written notice to MFS;

(d) by WorldCom in accordance with Section 5.8(b), provided that it has complied with all provisions thereof, including the notice provisions therein, and that it complies with applicable requirements relating to the payment (including the timing of any payment) of the Termination Fee;

(e) by WorldCom, if Section 4.8 shall be breached by MFS in any material respect and MFS shall have failed to promptly terminate the activity giving rise to such breach and use best efforts to cure such breach upon notice thereof from WorldCom, or MFS shall breach Section 4.8 by failing to promptly notify WorldCom as required thereunder;

(f) by WorldCom if (i) the Board of Directors of MFS or any committee thereof shall have withdrawn or modified in a manner adverse to WorldCom its approval or recommendation of the MFS Proposals, or failed to reconfirm its recommendation within fifteen business days after a written request to do so, or approved or recommended any MFS Takeover Proposal or (ii) the Board of Directors of MFS or any committee thereof shall have resolved to take any of the foregoing actions;

(g) by WorldCom, if MFS or any of its officers, directors, employees, representatives or agents shall take any of the actions referenced in the proviso to the second sentence of Section 4.8(a);

(h) by MFS, if WorldCom shall have breached in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform is incapable of being cured or has not been cured within 20 days after the giving of written notice to WorldCom;



(i) by MFS in accordance with Section 4.8(b), provided that it has complied with all provisions thereof, including the notice provisions therein, and that it complies with applicable requirements relating to the payment (including the timing of any payment) of the Termination Fee;

(j) by MFS, if Section 5.8 shall be breached by WorldCom in any material respect and WorldCom shall have failed to promptly terminate the activity giving rise to such breach and use best efforts to cure such breach upon notice thereof from MFS, or WorldCom shall breach Section 5.8 by failing to promptly notify MFS as required thereunder;

(k) by MFS if (i) the Board of Directors of WorldCom or any committee thereof shall have withdrawn or modified in a manner adverse to MFS its approval or recommendation of the WorldCom Proposals, or failed to reconfirm its recommendation within fifteen business days after a written request to do so, or approved or recommended any WorldCom Takeover Proposal or (ii) the Board of Directors

of WorldCom or any committee thereof shall have resolved to take any of the foregoing actions;

(l) by MFS, if WorldCom or any of its officers, directors, employees, representatives or agents shall take any of the actions referenced in the proviso to the second sentence of Section 5.8(a); or

(m) by MFS, if any person (other than MFS or any of its affiliates or associates) shall have acquired beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Securities Exchange Act) or any "group" (as such term is defined in Section 13(d)(3) of the Securities Exchange Act) (other than a group of which MFS or any of its affiliates or associates is a member) shall have been formed which beneficially owns, 25% or more of the voting power of WorldCom.

The party desiring to terminate this Agreement pursuant to the preceding paragraphs (b), (c), (d), (e), (f), (g), (h),

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(i), (j), (k), (l) or (m) shall give written notice of such termination to the other party in accordance with Section 8.5 below.

7.2 Effect of Termination and Abandonment. (a) In the event of

termination of this Agreement and the abandonment of the Merger pursuant to this Article VII, this Agreement (other than as set forth in this Section 7.2, Section 7.3, Section 7.4, Section 8.1 and Section 8.7) shall become void and of no effect with no liability on the part of any party hereto (or of any of its directors, officers, employees, agents, legal or financial advisors or other representatives); provided, however, that no such termination shall relieve any party hereto from any liability for any breach of this Agreement.

(b) In the event that (A) this Agreement is terminated by either WorldCom or MFS pursuant to Section 7.1(b)(ii) above; (B) a bona fide MFS Takeover Proposal shall have been made known to MFS or any of its subsidiaries and made known to its stockholders generally or has been made directly to its stockholders generally or any Person shall have publicly announced an intention (whether or not conditional) to make a bona fide MFS Takeover Proposal and such MFS Takeover Proposal or announced intention shall not have been withdrawn and thereafter this Agreement is terminated by either WorldCom or MFS pursuant to Section 7.1(b)(i), or (C) this Agreement is terminated (x) by MFS pursuant to Section 7.1(i) or (y) by WorldCom pursuant to Section 7.1(e), (f) or (g), then MFS shall promptly, but in no event later than two days after the date of such termination, pay WorldCom a fee equal to \$350 million (the "Termination Fee"), payable by wire transfer of same day funds; provided, however, that no Termination Fee shall be payable to WorldCom pursuant to a termination by WorldCom pursuant to Section 7.1(g) unless and until within 18 months of such termination, MFS or any of its subsidiaries enters into any MFS Acquisition Agreement or consummates any MFS Takeover Proposal. MFS acknowledges that the agreements contained in this Section 7.2(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, WorldCom would not enter into this Agreement; accordingly, if MFS fails to promptly pay the amount due pursuant to this Section 7.2(b), and, in order to obtain such payment, WorldCom commences a suit which results in a judgment against MFS for the Termination Fee set forth in this paragraph (b), MFS shall also pay to WorldCom its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on the amount of the Termination Fee at the prime rate of Citibank N.A. in effect on the date such payment was required to be made. In the event of a termination by WorldCom pursuant to Section 7.1(g), MFS shall promptly pay upon WorldCom's request all out-of-pocket charges and expenses incurred by WorldCom in connection with this Agreement and the transactions contemplated hereby in an amount not to exceed \$10

million, which payments shall be credited against any Termination Fee that may subsequently become payable.

(c) In the event that (A) this Agreement is terminated by either WorldCom or MFS pursuant to Section 7.1(b)(iii) above, (B) a bona fide WorldCom Takeover Proposal shall have been made known to WorldCom or any of its subsidiaries and made known to its shareholders generally or has been made directly to its shareholders generally or any Person shall have publicly announced an intention (whether or not conditional) to make a bona fide WorldCom Takeover Proposal and such WorldCom Takeover Proposal or announced intention shall not have been withdrawn and thereafter this Agreement is terminated by either WorldCom or MFS pursuant to Section 7.1(b)(i), or (C) this Agreement is terminated (x) by WorldCom pursuant to Section 7.1(d) or (y) by MFS pursuant to Section 7.1(j), (k), (l) or (m), then WorldCom shall promptly, but in no event later than two days after the date of such termination, pay MFS the Termination Fee, payable by wire transfer of same day funds; provided, however, that no Termination Fee shall be payable to MFS pursuant to a termination by MFS pursuant to Section 7.1(l) unless and until within 18 months of such termination, WorldCom or any of its subsidiaries enters into any WorldCom Acquisition Agreement or consummates any WorldCom Takeover Proposal. WorldCom acknowledges that the agreements contained in this Section 7.2(c) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, MFS would not enter into this Agreement; accordingly, if WorldCom fails to promptly pay the amount due pursuant to this Section 7.2(c), and, in order to obtain such payment, MFS commences a suit which results in a judgment against WorldCom for the Termination Fee set forth in this paragraph (c), WorldCom shall also pay to MFS its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on the amount of the Termination Fee at the prime rate of Citibank N.A. in effect on the date such payment was required to be made. In the event of a termination by MFS pursuant to Section 7.1(l), WorldCom shall promptly pay upon MFS's request all out-of-pocket charges and expenses incurred by MFS in connection with this Agreement and the transactions contemplated hereby in an amount not to exceed \$10 million, which payments shall be credited against any Termination Fee that may subsequently become payable.

7.3 Procedure Upon Termination. In the event of termination and abandonment pursuant to this Article VII, this Agreement shall terminate and the Merger shall be abandoned without further action by MFS or WorldCom, provided that the agreements contained in Sections 7.2, 8.1 and 8.7 hereof shall remain in full force and effect. If this Agreement is terminated as provided herein, each party shall use its reasonable best efforts to redeliver all documents, work papers and other material (including any copies thereof) of any other party relating to the transactions contemplated hereby, whether

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obtained before or after the execution hereof, to the party furnishing the same. Nothing contained in this Agreement shall relieve any party from any liability for any inaccuracy, misrepresentation or breach of this Agreement prior to termination.

7.4 Services Agreement. In the event that this Agreement is terminated under circumstances in which either WorldCom or MFS is entitled to receive the Termination Fee pursuant to Section 7.2 hereof, the party entitled to receive the Termination Fee shall also be entitled to receive, at its sole election, the services described in that agreement of even date herewith between MFS and WorldCom, on the terms and conditions described in such agreement.

#### ARTICLE VIII MISCELLANEOUS

8.1 Confidentiality. Unless (i) otherwise expressly provided in this Agreement, (ii) required by applicable Law or any listing agreement with, or the rules and regulations of, any applicable securities exchange or the

NASD, (iii) necessary to secure any required Consents as to which the other party has been advised, or (iv) consented to in writing by WorldCom and MFS, any information or documents furnished in connection herewith shall be kept strictly confidential by MFS, WorldCom and their respective officers, directors, employees and agents. Prior to any disclosure pursuant to the preceding sentence, the party intending to make such disclosure shall consult with the other party regarding the nature and extent of the disclosure. Nothing contained herein shall preclude disclosures to the extent necessary to comply with accounting, SEC and other disclosure obligations imposed by applicable Law. To the extent required by such disclosure obligations, WorldCom or MFS, after consultation with the other party, may file with the SEC a Report on Form 8-K pursuant to the Securities Exchange Act with respect to the Merger, which report may include, among other things, financial statements and pro forma financial information with respect to the other party. In connection with any filing with the SEC of a registration statement or amendment thereto under the Securities Act, MFS or WorldCom, after consultation with the other party, may include a prospectus containing any information required to be included therein with respect to the Merger, including, but not limited to, financial statements and pro forma financial information with respect to the other party, and thereafter distribute said prospectus. WorldCom and MFS shall cooperate with the other and provide such information and documents as may be required in connection with any such filings. In the event the Merger is not consummated, each party shall return to the other any documents furnished by the other and all copies thereof any of them may have made and will hold in absolute confidence any information obtained from the other party except to the extent (i) such party is required to disclose such information by

pursuit or defense of a claim, (ii) such information was known by such party prior to such disclosure or was thereafter developed or obtained by such party independent of such disclosure, or (iii) such information becomes generally available to the public or is otherwise no longer confidential. Prior to any disclosure of information pursuant to the exception in clause (i) of the preceding sentence, the party intending to disclose the same shall so notify the party which provided the same in order that such party may seek a protective order or other appropriate remedy should it choose to do so.

8.2 Amendment and Modification. This Agreement may be amended, modified or supplemented only by a written agreement among MFS, WorldCom and Acquisition Subsidiary.

8.3 Waiver of Compliance; Consents. Any failure of MFS on the one hand, or WorldCom on the other hand, to comply with any obligation, covenant, agreement or condition herein may be waived by WorldCom on the one hand, or MFS on the other hand, only by a written instrument signed by the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing in a manner consistent with the requirements for a waiver of compliance as set forth in this Section 8.3.

8.4 Survival of Representations and Warranties. The respective representations, warranties, covenants and agreements of MFS and WorldCom contained herein or in any certificates or other documents delivered prior to or at the Closing shall survive the execution and delivery of this Agreement, notwithstanding any investigation made or information obtained by the other party, but shall terminate at the Effective Time, except for those contained in Sections 5.11, 5.12 and 5.13, above and except for the agreements delivered pursuant to Section 6.3.6 hereof and the certificates referred to in Sections 6.2.4(iv) and 6.3.4(v) hereof.

8.5 Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by facsimile, receipt confirmed, or on the next business day when sent by overnight courier or on the second succeeding business day when sent by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to MFS, to:

11808 Miracle Hills Drive  
Omaha, Nebraska 68154  
Attention: Terrence J. Ferguson, Esq.  
Telecopy: (402) 231-3545

with a copy to:

Willkie Farr & Gallagher  
One Citicorp Center  
153 East 53rd Street  
New York, NY 10022  
Attention: John S. D'Alimonte, Esq. and  
Steven J. Gartner, Esq.  
Telecopy: 212-821-8111

and

(ii) if to WorldCom or Acquisition Subsidiary, to:

515 East Amite Street  
Jackson, Mississippi 39201  
Attention: Bernard J. Ebbers  
Telecopy: (601) 360-8616

with copies to:

WorldCom, Inc.  
10777 Sunset Office Drive, Suite 330  
St. Louis, Missouri 63127  
Attention: P. Bruce Borghardt, Esq.  
Telecopy: (314) 909-4101



and

Bryan Cave LLP  
One Metropolitan Square  
211 North Broadway, Suite 3600  
St. Louis, Missouri 63102  
Attention: Don G. Lents, Esq. and  
R. Randall Wang, Esq.  
Telecopy: (314) 259-2020

8.6 Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto prior to the Effective Time without the prior written consent of the other party hereto, except that Acquisition Subsidiary may assign to WorldCom or any other direct subsidiary of WorldCom any and all rights, interests and

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obligations of Acquisition Subsidiary under this Agreement; provided that any assignment by Acquisition Subsidiary of any or all of its rights, interests and obligations under this Agreement to WorldCom shall require that the Merger contemplated by this Agreement shall then be structured as a direct merger of MFS with and into WorldCom or any other structure approved by MFS.

8.7 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs or expenses, subject to the rights of such party contemplated under Section 7.2, above.

8.8 Governing Law. This Agreement shall be deemed to be made in, and in all respects shall be interpreted, construed and governed by and in accordance with the internal laws of, the State of Delaware, except as otherwise required by the Georgia Business Corporation Code.

8.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.10 Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement. As used in this Agreement, (i) the term "person" shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an association, an unincorporated organization, a Governmental Authority and any other entity; (ii) the term "affiliate," with respect to any person, shall mean and include any person controlling, controlled by or under common control with such person; and (iii) the term "subsidiary" of any specified person shall mean any corporation 50 percent or more of the outstanding voting power of which, or any partnership, joint venture, limited liability company or other entity 50 percent or more of the total equity interest of which, is directly or indirectly owned by such specified person.

8.11 Entire Agreement. This Agreement and the documents or instruments referred to herein including, but not limited to, the Schedules attached hereto and the Disclosure Letters referred to herein, which Schedules and Disclosure Letters are incorporated herein by reference, embody the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and the

understandings between the parties with respect to such subject matter.

8.12 Severability. In case any provision in this Agreement shall be held invalid, illegal or unenforceable in a jurisdiction, such provision shall be modified or deleted, as to the jurisdiction involved, only to the extent necessary to render the same valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby nor shall the validity, legality or enforceability of such provision be affected thereby in any other jurisdiction.

8.13 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the parties further agree that each party shall be entitled to an injunction or restraining order to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other right or remedy to which such party may be entitled under this Agreement, at law or in equity.

8.14 Third Parties. Nothing contained in this Agreement or in any instrument or document executed by any party in connection with the transactions contemplated hereby shall create any rights in, or be deemed to have been executed for the benefit of, any person or entity that is not a party hereto or thereto, or, a successor or permitted assign of such a party; provided however, that the parties hereto specifically acknowledge that the provisions of Sections 5.12 and 5.13, above, are intended to be for the benefit of, and shall be enforceable by, the employees, officers and directors of MFS and/or the MFS Subsidiaries affected thereby and their heirs and representatives.

8.15 Schedules and Disclosure Letters. MFS and WorldCom acknowledge that the Schedules to this Agreement, the MFS Disclosure Letter and the WorldCom Disclosure Letter (i) relate to certain matters concerning the disclosures required and transactions contemplated by this Agreement, (ii) are qualified in their entirety by reference to specific provisions of this Agreement, (iii) are not intended to constitute and shall not be construed as indicating that such matter is required to be disclosed, nor shall such disclosure be construed as an admission that such information is material with respect to MFS or WorldCom, as the case may be, except to the extent required by this Agreement, and (iv) disclosure of the information contained in one MFS or WorldCom Schedule shall be deemed as proper disclosure for all MFS or WorldCom Schedules, as the case may be.

IN WITNESS WHEREOF, WorldCom, Acquisition Subsidiary and MFS have caused this Agreement to be signed and delivered by their respective duly authorized officers as of the date first above written.

WORLDCOM, INC.

By /s/ Bernard J. Ebbers  
Name: Bernard J. Ebbers  
Title: President and  
Chief Executive Officer

HIJ CORP.

By /s/ Bernard J. Ebbers  
Name: Bernard J. Ebbers  
Title: President and  
Chief Executive Officer

MFS COMMUNICATIONS COMPANY, INC.

By /s/ James Q. Crowe  
Name: James Q. Crowe  
Title: Chairman of the Board and

Chief Executive Officer

## STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of August 25, 1996 (the "Agreement"), by and between WorldCom, Inc., a Georgia corporation ("WorldCom"), and MFS Communications Company, Inc., a Delaware corporation ("MFS").

## RECITALS

(A) Merger Agreement. WorldCom, MFS and HIJ Corp., a Delaware corporation and wholly owned subsidiary of WorldCom ("Acquisition Subsidiary"), have entered into an Agreement and Plan of Merger dated as of the date hereof (the "Merger Agreement"), which provides, upon the terms and subject to the conditions set forth therein, for the merger of Acquisition Subsidiary with and into MFS (the "Merger"); and

(B) Condition to Merger Agreement. As a condition and inducement to MFS' pursuit of the transactions contemplated by the Merger Agreement, and in consideration therefor, WorldCom has agreed to grant MFS the Option (as hereinafter defined).

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and in the Merger Agreement, and intending to be legally bound hereby, WorldCom and MFS, agree as follows:

1. Defined Terms. Capitalized terms which are used but not defined herein shall have the meanings ascribed to such terms in the Merger Agreement.
2. Grant of Option. Subject to the terms and conditions set forth herein, WorldCom hereby grants to MFS an irrevocable option (the "Option") to purchase a number of shares of common stock, par value \$.01 per share ("WorldCom Common"), of WorldCom up to 81,224,137 of such shares (as adjusted as set forth herein, the "Option Shares", which shall include the Option Shares before and after any transfer of such Option Shares, and which represents 19.9% of the issued and outstanding shares of WorldCom Common as of the date hereof), at a purchase price per Option Share (as adjusted as set forth herein, the "Purchase Price") equal to \$26.375.
3. Exercise of Option.
  - (a) Provided that no preliminary or permanent injunction or other order against the delivery of shares covered by the Option issued by any court of competent jurisdiction in the United

States shall be in effect, Holder may exercise the Option, in whole or in part, at any time and from time to time following the occurrence of a Purchase Event (as hereinafter defined); provided that the Option shall terminate and be of no further force or effect as follows:

(A) If the Merger is consummated, upon the Effective Date;

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(B) If the Merger Agreement is terminated for any reason and a Purchase Event has occurred prior to such termination, eighteen (18) months after the occurrence of such Purchase Event;

(C) If the Merger Agreement is terminated pursuant to Sections 7.1(a), 7.1(b), 7.1(c), 7.1(e), 7.1(f), 7.1(g) or 7.1(i) and a Purchase Event has not occurred prior to such termination, upon such termination;

(D) If the Merger Agreement is terminated for any reason other than those enumerated in clause (C) above and a Purchase Event has not occurred prior to such termination, eighteen (18) months after such termination; and

(E) Three years from the date hereof if the Merger has not been consummated and the Merger Agreement has not been terminated by such date.

provided, however, that any purchase of shares upon exercise of the Option shall be subject to compliance with applicable law. The term "Holder" shall mean the holder or holders of the Option from time to time, and which is initially MFS.

(b) As used herein, a "Purchase Event" means any of the following events:

(i) WorldCom shall have recommended to its stockholders, or WorldCom or any person (other than MFS or any affiliate or associate of MFS) shall have publicly proposed or publicly announced, a bona fide WorldCom Takeover Proposal that shall not have been withdrawn at the time of the exercise of the Option; or

(ii) any person (other than MFS or any affiliate or associate of MFS) shall have acquired beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Securities Exchange Act) of or the right to acquire beneficial ownership of, or any "group" (as such term is defined in Section 13(d)(3) of the Securities Exchange Act), other than a group of which MFS or any affiliate or associate of MFS is a member, shall have been formed which beneficially owns, or has

the right to acquire beneficial ownership of, 15% or more of the voting power of WorldCom; or

(iii) WorldCom's Board of Directors shall have withdrawn or modified in a manner adverse to MFS the recommendation of WorldCom's Board of Directors with respect to the WorldCom Proposals.

As used in this Agreement, "person" shall have the meaning specified in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act.

(c) WorldCom shall notify Holder promptly in writing of the occurrence of any Purchase Event, it being understood that the giving of such notice by WorldCom shall not be a condition to the right of Holder to exercise the Option.

(d) In the event Holder wishes to exercise the Option, it shall send to WorldCom a written notice (the date of which being herein referred to as the "Notice Date")

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specifying (i) the total number of Option Shares it intends to purchase pursuant to such exercise and (ii) a place and date not earlier than three (3) business days nor later than fifteen (15) business days from the Notice Date for the closing (the "Closing") of such purchase (the "Closing Date"). If prior notification to or approval of any governmental regulatory agency is required in connection with such purchase, WorldCom shall cooperate with Holder in the filing of the required notice or application for approval and the obtaining of such approval and the Closing shall occur immediately following such regulatory approvals (and any mandatory waiting periods). Any exercise of the Option shall be deemed to occur on the Notice Date relating thereto.

(e) Holder, which is initially MFS, by this Agreement, with respect to any Option Shares acquired by it on or prior to the record date for the meeting of shareholders of WorldCom called to consider the WorldCom Proposals, does hereby constitute and appoint WorldCom, or any nominee of WorldCom, with full power of substitution, from the date hereof to the earlier to occur of the termination of the Merger Agreement or the Effective Time, as its true and lawful attorney and proxy (its "Proxy"), for and in its name, place and stead, to vote each of such Option Shares as its Proxy, at every annual, special or adjourned meeting of the shareholders of WorldCom, including the right to sign its name (as stockholder) to any consent, certificate or other document relating to WorldCom that the law of the State of Georgia may permit or require:

(i) in favor of the WorldCom Proposals; and



(ii) against any proposal for any recapitalization, merger (other than the Merger), sale of assets or other business combination between WorldCom and any person or entity (other than MFS) or any other action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of MFS under the Merger Agreement or which could result in any of the conditions to the Merger Agreement not being fulfilled.

THIS POWER OF ATTORNEY IS IRREVOCABLE, IS GRANTED IN CONSIDERATION OF WORLDCOM AND ACQUISITION SUBSIDIARY ENTERING INTO THE MERGER AGREEMENT AND IS COUPLED WITH AN INTEREST SUFFICIENT IN LAW TO SUPPORT AN IRREVOCABLE POWER. This appointment shall revoke all prior powers of attorney and proxies appointed by Holder at any time with respect to the Option Shares and no subsequent powers of attorney or proxies will be appointed by Holder, or be effective, with respect thereto during the term of this Agreement.

Holder shall perform such further acts and execute such further documents and instruments as may reasonably be required to vest in WorldCom the power to carry out and give effect to the provisions of this Agreement.

#### 4. Payment and Delivery of Certificates.

(a) On each Closing Date, Holder shall (i) pay to WorldCom, in immediately available funds by wire transfer to a bank account designated by WorldCom, an amount equal to the Purchase Price multiplied by the number of Option Shares to be purchased on such Closing Date, and (ii) present this Agreement to WorldCom at the address of WorldCom specified in

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Section 11(f) and WorldCom shall mark and return this Agreement to Holder to reflect the exercise of this Option.

(b) At each Closing, simultaneously with the delivery of immediately available funds, and presentation of this Agreement as provided in Section 4(a), (i) WorldCom shall deliver to Holder (A) a certificate or certificates representing the Option Shares to be purchased at such Closing, which Option Shares shall be free and clear of all liens, fully paid and nonassessable and subject to no preemptive rights, and (B) an executed new agreement with the same terms as this Agreement evidencing the right to purchase the balance of the Option Shares purchasable hereunder, if any, and the remaining rights of the Holder, and (ii) Holder shall deliver to WorldCom a letter agreeing that Holder shall not offer to sell or otherwise dispose of such Option Shares in violation of

applicable federal and state law or of the provisions of this Agreement.

(c) In addition to any other legend that is required by applicable law, certificates for the Option Shares delivered at each Closing shall be endorsed with a restrictive legend which shall read substantially as follows:

THE TRANSFER AND VOTING OF THE STOCK REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO RESTRICTIONS ARISING UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND A STOCK OPTION AGREEMENT DATED AS OF AUGUST 25, 1996. A COPY OF SUCH AGREEMENT WILL BE PROVIDED TO THE HOLDER HEREOF WITHOUT CHARGE UPON RECEIPT BY WORLDCOM OF A WRITTEN REQUEST THEREFOR.

It is understood and agreed that the portion of the above legend relating to restrictions on transfer shall be removed by delivery of substitute certificate(s) without such legend if Holder shall have delivered to WorldCom a copy of a letter from the staff of the SEC, or an opinion of counsel in form and substance reasonably satisfactory to WorldCom and its counsel, to the effect that such legend is not required for purposes of the Securities Act. It is understood and agreed that the portion of the above legend relating to voting shall be removed upon expiration or termination of the proxy referred to in Section 3(e) hereof.

(d) Upon the giving by Holder to WorldCom of the written notice of exercise of the Option provided for under Section 3(e), the tender of the applicable purchase price in immediately available funds and the tender of this Agreement to WorldCom, Holder shall be deemed to be the holder of record of the shares of WorldCom Common issuable upon such exercise, notwithstanding that the stock transfer books of WorldCom shall then be closed or that certificates representing such shares of WorldCom Common shall not then be actually delivered to Holder. WorldCom shall pay all expenses, and any and all United States federal, state, and local taxes and other charges that may be payable in connection with the preparation, issuance and delivery of stock certificates under this Section in the name of Holder or its assignee, transferee, or designee.

(e) WorldCom agrees (i) that it shall at all times maintain, free from preemptive rights, sufficient authorized but unissued or treasury shares of WorldCom Common so that the Option may be exercised without additional authorization of WorldCom Common after giving

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effect to all other options, warrants, convertible securities and other rights to purchase WorldCom Common, (ii) that it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations

or conditions to be observed or performed hereunder by WorldCom, and (iii) promptly to take all action as may from time to time be required (including (A) complying with all premerger notification, reporting and waiting period requirements, (B) in the event prior approval of or notice to any governmental regulatory agency is necessary before the Option may be exercised, cooperating fully with Holder in preparing such applications or notices and providing such information to such Governmental Authority as it may require and (C) adopting, amending, redeeming or taking such other action with respect to any Rights Agreement adopted on or after the date hereof so as to preclude MFS from becoming an "Acquiring Person" and to preclude a "Share Acquisition Date" or a "Distribution Date" (or similar events) from occurring thereunder in order to permit Holder to exercise the Option and WorldCom duly and effectively to issue shares of the WorldCom Common pursuant hereto, as long as, after giving effect to the exercise of the Option (or any part thereof), Holder would not own beneficially (within the meaning of Rule 13d-3 under the Securities Exchange Act) more than 17.5% of the issued and outstanding WorldCom Common.

5. Representations and Warranties of WorldCom.

WorldCom hereby represents and warrants to MFS (and Holder, if different from MFS) as follows:

(a) Corporate Authority. WorldCom has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of WorldCom, and no other corporate proceedings on the part of WorldCom are necessary to authorize this Agreement or to consummate the transactions so contemplated; this Agreement has been duly and validly executed and delivered by WorldCom.

(b) Beneficial Ownership. To the best knowledge of WorldCom, as of the date of this Agreement, no person or group has beneficial ownership of more than 10% of the issued and outstanding shares of WorldCom Common.

(c) Shares Reserved for Issuance; Capital Stock. WorldCom has taken all necessary corporate action to authorize and reserve and permit it to issue, and at all times from the date hereof through the termination of this Agreement in accordance with its terms, will have reserved for issuance upon the exercise of the Option, that number of shares of WorldCom Common equal to the maximum number of shares of WorldCom Common at any time and from time to time purchasable upon exercise of the Option, and all such shares, upon issuance pursuant to the Option, will be duly authorized, validly issued, fully paid and nonassessable, and will be delivered free and clear of all claims, liens, encumbrances, and security interests (other than those created by this Agreement) and not subject to any preemptive rights.

(d) No Violations. The execution, delivery and performance of this Agreement does not or will not, and the

consummation by WorldCom of any of the transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, its certificate

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of incorporation or by-laws, or the comparable governing instruments of any of its subsidiaries, or (B) a breach or violation of, or a default under, any agreement, lease, contract, note, mortgage, indenture, arrangement or other obligation of it or any of its subsidiaries (with or without the giving of notice, the lapse of time or both) or under any law, rule, ordinance or regulation or judgment, decree, order, award or governmental or non-governmental permit or license to which it or any of its subsidiaries is subject, that would, in any case give any other person the ability to prevent or enjoin WorldCom's performance under this Agreement in any material respect.

6. Representations and Warranties Of MFS. MFS hereby represents and warrants to WorldCom as follows:

(a) Corporate Authority. MFS has full corporate power and authority to enter into this Agreement and, subject to obtaining the approvals referred to in this Agreement, to consummate the transactions contemplated by this Agreement; the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of MFS and this Agreement has been duly executed and delivered by MFS.

(b) Investment Representations.

(i) MFS is acquiring the Option and the Option Shares (collectively, the "Securities") for its own account for investment only, and not with a view to, or for sale in connection with, any distribution of the Securities in violation of the Securities Act, or any rule or regulation under the Securities Act.

(ii) MFS has had such opportunity as it deems adequate to obtain from representatives of WorldCom such information as is necessary to permit MFS to evaluate the merits and risks of its investment in WorldCom.

(iii) MFS has sufficient experience in business, financial and investment matters to be able to evaluate the risks involved in the purchase of the Securities and to make an informed investment decision with respect to such purchase.

(iv) MFS acknowledges that (1) the Securities have not been registered under the Securities Act and

are "restricted securities" within the meaning of Rule 144 under the Securities Act and (2) the Securities cannot be sold, transferred or otherwise disposed of unless they are subsequently registered under the Securities Act or an exemption from registration is then available.

7. Adjustment upon Changes in MFS Capitalization, etc.

(a) In the event of any change in the WorldCom Common by reason of a stock dividend, stock split, split-up, recapitalization, combination, exchange of shares or similar transaction, the type and number of shares or securities subject to the Option, and the Purchase Price therefor, shall be adjusted appropriately, and proper provision shall be made in the agreements governing such transaction so that Holder shall receive, upon exercise of the Option,

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the number and class of shares or other securities or property that Holder would have received in respect of WorldCom Common if the Option had been exercised immediately prior to such event, or the record date therefor, as applicable. If any additional shares of WorldCom Common are issued after the date of this Agreement (other than pursuant to an event described in the first sentence of this Section 7(a), upon exercise of any option to purchase WorldCom Common outstanding on the date hereof or upon conversion into WorldCom Common of any convertible security of WorldCom outstanding on the date hereof), the number of shares of WorldCom Common subject to the Option shall be adjusted so that, after such issuance, it, together with any shares of WorldCom Common previously issued pursuant hereto, equals 19.9% of the number of shares of WorldCom Common then issued and outstanding, without giving effect to any shares subject to or issued pursuant to the Option. No provision of this Section 7 shall be deemed to affect or change, or constitute authorization for any violation of, any of the covenants or representations in the Merger Agreement.

(b) In the event that WorldCom shall enter into an agreement (i) to consolidate with or merge into any person, other than MFS or one of its subsidiaries, and shall not be the continuing or surviving corporation of such consolidation or merger, (ii) to permit any person, other than MFS or one of its subsidiaries, to merge into WorldCom and WorldCom shall be the continuing or surviving corporation, but, in connection with such merger, the then outstanding shares of WorldCom Common shall be changed into or exchanged for stock or other securities of WorldCom or any other person or cash or any other property or the outstanding shares of WorldCom Common immediately prior to such merger shall after such merger represent less than 50% of the outstanding shares and share equivalents of the merged company, or (iii) to sell or otherwise transfer all or substantially all of its assets to any person, other than MFS or one of its subsidiaries, then, and in each such case, the agreement governing

such transaction shall make proper provisions so that the Option shall, upon the consummation of any such transaction and upon the terms and conditions set forth herein, be converted into, or exchanged for, an option to acquire the number and class of shares or other securities or property that Holder would have received in respect of WorldCom Common if the Option had been exercised immediately prior to such consolidation, merger, sale or transfer, or the record date therefor, as applicable.

8. Registration Rights.

(a) Demand Registration Rights. WorldCom shall, subject to the conditions of 8(c) below, if requested by Holder, including MFS and any permitted transferee acquiring at least 10% of the shares of WorldCom Common represented by the Option on the date hereof (each, a "Selling Shareholder"), as expeditiously as possible prepare and file a registration statement under the Securities Act if such registration is necessary in order to permit the sale or other disposition of any or all shares of WorldCom Common or other securities that have been acquired by or are issuable to the Selling Shareholder upon exercise of the Option in accordance with the intended method of sale or other disposition stated by the Selling Shareholder in such request, including without limitation a "shelf" registration statement under Rule 415 under the Securities Act or any successor provision, and WorldCom shall use its best efforts to qualify such shares or other securities for sale under any applicable state securities laws, provided, however, that WorldCom shall not be required to consent to general jurisdiction or qualify to do business in any state where it is not otherwise required to so consent to such jurisdiction or to so qualify to do business.

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(b) Additional Registration Rights. If WorldCom at any time after the exercise of the Option proposes to register any shares of WorldCom Common under the Securities Act, WorldCom will promptly give written notice to the Selling Shareholders of its intention to do so and, upon the written request of any Selling Shareholder given within thirty (30) days after receipt of any such notice (which request shall specify the number of shares of WorldCom Common intended to be included in such public offering by the Selling Shareholder), WorldCom will cause all such shares for which a Selling Shareholder requests participation in such registration, to be so registered and included in such public offering, provided, however, that WorldCom may elect to not cause any such shares to be so registered (i) if such public offering is to be underwritten and the underwriters in good faith object for valid business reasons, or (ii) in the case of a registration solely to implement an employee benefit plan or a registration filed on Form S-4 of the Securities Act or any successor Form; provided, further, however, that such

election pursuant to (i) may only be made two times. If some but not all the shares of WorldCom Common, with respect to which WorldCom shall have received requests for registration pursuant to this Section 8(b), shall be excluded from such registration, WorldCom shall make appropriate allocation of shares to be registered among the Selling Shareholders desiring to register their shares pro rata in the proportion that the number of shares requested to be registered by each such Selling Shareholder bears to the total number of shares requested to be registered by all such Selling Shareholders then desiring to have WorldCom Common registered for sale.

(c) Conditions to Required Registration.

WorldCom shall use all reasonable efforts to cause each registration statement referred to in Section 8(a) above to become effective and to obtain all consents or waivers of other parties which are required therefor and to keep such registration statement effective; provided, however, that WorldCom may delay any registration of Option Shares required pursuant to Section 8(a) above for a period not exceeding ninety (90) days provided WorldCom shall in good faith determine that any such registration would adversely affect WorldCom (provided that this right may not be exercised more than once during any twelve month period), and WorldCom shall not be required to register Option Shares under the Securities Act pursuant to Section 8(a) above:

- (i) on more than one occasion during any calendar year;
- (ii) within ninety (90) days after the effective date of a registration referred to in Section 8(b) above pursuant to which the Selling Shareholder or Selling Shareholders concerned were afforded the opportunity to register such shares under the Securities Act and such shares were registered as requested;
- (iii) unless a request therefor is made to WorldCom by Selling Shareholders that hold at least 25% or more of the aggregate number of Option Shares (including shares of WorldCom Common issuable upon exercise of the Option) then outstanding; or
- (iv) if all the Option Shares proposed to be registered could be sold by the Selling Shareholders in a 90-day period in accordance with Rule 144.

In addition to the foregoing, WorldCom shall not be required to maintain the

effectiveness of any registration statement after the expiration of six (6) months from the effective date of such registration statement. WorldCom shall use all reasonable efforts to make any filings, and take all steps, under all applicable state securities laws to the extent necessary to permit the sale or other disposition of the Option Shares so registered in accordance with the intended method of distribution for such shares; provided, however, that WorldCom shall not be required to consent to general jurisdiction or qualify to do business in any state where it is not otherwise required to so consent to such jurisdiction or to so qualify to do business.

(d) Expenses. Except where applicable state law prohibits such payments, WorldCom will pay all expenses (including without limitation registration fees, qualification fees, blue sky fees and expenses (including the fees and expenses of counsel), legal expenses, including the reasonable fees and expenses of one counsel to the holders whose Option Shares are being registered (not to exceed \$15,000), printing expenses and the costs of special audits or "cold comfort" letters, expenses of underwriters, excluding discounts and commissions but including liability insurance if WorldCom so desires or the underwriters so require, and the reasonable fees and expenses of any necessary special experts) in connection with each registration pursuant to Section 8(a) or 8(b) above (including the related offerings and sales by holders of Option Shares) and all other qualifications, notifications or exemptions pursuant to Section 8(a) or 8(b) above.

(e) Indemnification. In connection with any registration under Section 8(a) or 8(b) above, WorldCom hereby indemnifies the Selling Shareholders, and each underwriter thereof, including each person, if any, who controls such Holder or underwriter within the meaning of Section 15 of the Securities Act, against all expenses, losses, claims, damages and liabilities caused by any untrue, or alleged untrue, statement of a material fact contained in any registration statement or prospectus or notification or offering circular (including any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission, or alleged omission, to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such expenses, losses, claims, damages or liabilities of such indemnified party are caused by any untrue statement or alleged untrue statement that was included by WorldCom in any such registration statement or prospectus or notification or offering circular (including any amendments or supplements thereto) in reliance upon and in conformity with, information furnished in writing to WorldCom by such indemnified party expressly for use therein, and WorldCom and each officer, director and controlling person of WorldCom shall be indemnified by such Selling Shareholders, or by such underwriter, as the case may be, for all such expenses, losses, claims, damages and liabilities caused by any untrue, or alleged untrue, statement, that was included by WorldCom in any such registration statement or prospectus or notification or offering circular (including any amendments or supplements thereto) in reliance upon, and in conformity with, information furnished in writing to WorldCom by or on behalf of such Selling Shareholder or



such underwriter, as the case may be, expressly for such use.

Promptly upon receipt by a party indemnified under this Section 8(e) of notice of the commencement of any action against such indemnified party in respect of which indemnity or reimbursement may be sought against any indemnifying party under this Section 8(e), such indemnified party shall notify the indemnifying party in writing of the commencement of such action, but the failure so to notify the indemnifying party shall not relieve it of any liability which it may otherwise have to any indemnified party under this Section 8(e) except to the extent the

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indemnified party is materially prejudiced thereby. In case notice of commencement of any such action shall be given to the indemnifying party as above provided, the indemnifying party shall be entitled to participate in and, to the extent it may wish, jointly with any other indemnifying party similarly notified, to assume the defense of such action at its own expense, with counsel chosen by it and reasonably satisfactory to such indemnified party. The indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel (other than reasonable costs of investigation) shall be paid by the indemnified party unless (i) the indemnifying party either agrees to pay the same, (ii) the indemnifying party fails to assume the defense of such action with counsel reasonably satisfactory to the indemnified party, or (iii) the indemnified party has been advised by counsel that one or more legal defenses may be available to the indemnifying party that may be contrary to the interest of the indemnified party, in which case the indemnifying party shall be entitled to assume the defense of such action notwithstanding its obligation to bear fees and expenses of such counsel. No indemnifying party shall be liable for any settlement entered into without its consent, which consent may not be unreasonably withheld.

If the indemnification provided for in this Section 8(e) is unavailable to a party otherwise entitled to be indemnified in respect of any expenses, losses, claims, damages or liabilities referred to herein, then the indemnifying party, in lieu of indemnifying such party otherwise entitled to be indemnified, shall contribute to the amount paid or payable by such party to be indemnified as a result of such expenses, losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative benefits received by WorldCom, the Selling Shareholders and the underwriters from the offering of the securities and also the relative fault of WorldCom, the Selling Shareholders and the underwriters in connection with the statements or omissions which resulted in such expenses, losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The amount paid or payable by a party as a result of the expenses, losses, claims, damages and liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred

by such party in connection with investigating or defending any action or claim, provided, however, that in no case shall any Selling Shareholder be responsible, in the aggregate, for any amount in excess of the net offering proceeds attributable to its Option Shares included in the offering. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any obligation by any Selling Shareholder to indemnify shall be several and not joint with other holders.

In connection with any registration pursuant to Section 8(a) or 8(b) above, WorldCom and each Selling Shareholder (other than MFS) shall enter into an agreement containing the indemnification provisions of this Section 8(e). In the event of an underwritten public offering pursuant to Section 8(b), the Company and the Selling Shareholders shall enter into an underwriting agreement containing customary terms and provisions; provided that the indemnification provisions as they relate to Selling Shareholders shall contain substantially the same limitations as the provisions set forth herein.

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(f) Miscellaneous Reporting. WorldCom shall comply with all reporting requirements and will do all such other things as may be necessary to permit the expeditious sale at any time of any Option Shares by the Selling Shareholders thereof in accordance with and to the extent permitted by any rule or regulation promulgated by the SEC from time to time, including, without limitation, Rule 144. WorldCom shall at its expense provide the Selling Shareholders with any information necessary in connection with the completion and filing of any reports or forms required to be filed by them under the Securities Act or the Securities Exchange Act, or required pursuant to any state securities laws or the rules of any stock exchange.

(g) Issue Taxes. WorldCom will pay all stamp taxes in connection with the issuance and the sale of the Option Shares and in connection with the exercise of the Option, and will hold the Selling Shareholders harmless, without limitation as to time, against any and all liabilities, with respect to all such taxes.

9. Quotation; Listing. If WorldCom Common or any other securities to be acquired in connection with the exercise of the Option are then authorized for quotation or trading or listing on any securities exchange, WorldCom, upon the request of Holder, will promptly file an application, if required, to authorize for quotation or trading or listing the shares of WorldCom Common or other securities to be acquired upon exercise of the Option on such securities exchange and will use its best

efforts to obtain approval, if required, of such quotation or listing as soon as practicable.

10. Division of Option. This Agreement (and the Option granted hereby) are exchangeable, without expense, at the option of Holder, upon presentation and surrender of this Agreement at the principal office of WorldCom for other Agreements providing for Options of different denominations entitling the holder thereof to purchase in the aggregate the same number of shares of WorldCom Common purchasable hereunder. The terms "Agreement" and "Option" as used herein include any other Agreements and related Options for which this Agreement (and the Option granted hereby) may be exchanged. Upon receipt by WorldCom of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, WorldCom will execute and deliver a new Agreement of like tenor and date. Any such new Agreement executed and delivered shall constitute an additional contractual obligation on the part of WorldCom, whether or not the Agreement so lost, stolen, destroyed or mutilated shall at any time be enforceable by anyone.

11. Miscellaneous.

(a) Expenses. Each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel.

(b) Waiver and Amendment. Any provision of this Agreement may be waived at any time by the party that is entitled to the benefits of such provision. This Agreement may not

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be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

(c) Entire Agreement: No Third-Party Beneficiaries; Severability. This Agreement, together with the Merger Agreement and the other documents and instruments referred to herein and therein, between WorldCom and MFS (i) constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and (ii) is not intended to confer upon any person other than the parties hereto (other than the indemnified parties under Section 8(e) and any transferees of the Option Shares or any permitted transferee of this Agreement pursuant to Section 11(h)) any rights or remedies hereunder. If any term, provision,

covenant or restriction of this Agreement is held by a court of competent jurisdiction or Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. If for any reason such court or Governmental Authority determines that the Option does not permit Holder to acquire the full number of shares of WorldCom Common as provided in Section 3 (as may be adjusted herein), it is the express intention of WorldCom to allow Holder to acquire such lesser number of shares as may be permissible without any amendment or modification hereof.

(d) Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Georgia without regard to any applicable conflicts of law rules.

(e) Descriptive Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (with confirmation) or mailed by registered or certified mail (return receipt requested) to the parties at the addresses set forth in the Merger Agreement (or at such other address for a party as shall be specified by like notice).

(g) Counterparts. This Agreement and any amendments hereto may be executed in two counterparts, each of which shall be considered one and the same agreement and shall become effective when both counterparts have been signed and delivered, it being understood that both parties need not sign the same counterpart.

(h) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder or under the Option shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party, except that Holder may assign this Agreement to a wholly-owned subsidiary of Holder and Holder may assign its rights hereunder in whole or in part after the occurrence of a Purchase Event. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

(i) Further Assurances. In the event of any exercise of the Option by Holder,

WorldCom and Holder shall execute and deliver all other documents and instruments and take all other action that may be

reasonably necessary in order to consummate the transactions provided for by such exercise.

(j) Specific Performance. The parties hereto agree that this Agreement may be enforced by either party through specific performance, injunctive relief and other equitable relief. Both parties further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such equitable relief and that this provision is without prejudice to any other rights that the parties hereto may have for any failure to perform this Agreement.

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IN WITNESS WHEREOF, MFS and WorldCom have caused this Stock Option Agreement to be signed by their respective officers thereunto duly authorized, all as of the day and year first written above.

MFS COMMUNICATIONS COMPANY, INC.

By: /s/ James Q. Crowe  
Name: James Q. Crowe  
Title: Chairman of the Board and  
Chief Executive Officer

WORLDCOM, INC.

By: /s/ Bernard J. Ebbers  
Name: Bernard J. Ebbers  
Title: President and Chief Executive  
Officer

## AGREEMENT

AGREEMENT by and between WorldCom, Inc., a Georgia corporation ("WorldCom"), and MFS Communications Company, Inc., a Delaware corporation ("MFS"), dated as of August 25, 1996.

## RECITALS

A. On the date hereof, WorldCom, HIJ Corp., a wholly owned subsidiary of WorldCom and a Delaware corporation, and MFS entered into an Agreement and Plan of Merger (the "Merger Agreement").

B. Section 7.4 of the Merger Agreement provides that in the event that the Merger Agreement is terminated under circumstances in which either WorldCom or MFS is entitled to a Termination Fee (as defined in the Merger Agreement), the party entitled to receive the Termination Fee (the "Terminating Party") shall be entitled to receive from the other party (the "Non-Terminating Party") certain services, on the terms and conditions described herein.

NOW, THEREFORE, the parties hereto agree as follows:

## 1. Services

In the event the provisions of Section 7.4 of the Merger Agreement become applicable, the Non-Terminating Party agrees to provide communication services on the terms described herein to the Terminating Party at Transfer Cost (as defined below) for a period of 3 years. The commencement date of this three-year period shall be 180 days after the date on which the Merger Agreement is terminated.

## 2. Transfer Cost

(a) For purposes of this Agreement, "Transfer Cost" shall consist of the total service long-run incremental cost ("TSLRIC") of providing a communications service, excluding: (1) any measure of costs of capital, common costs and profits; and (2) any retail related costs, such as sales, marketing, billing, collection (other than carrier-to-carrier billing and collection) and other costs associated with offering communications services directly to end users. TSLRIC shall be based upon the forward-looking economic costs of the total quantity of the facilities and functions that are directly attributable to, or reasonably identifiable as incremental to, the provision of the service. A reasonable allocation of shared costs of facilities directly attributable or incremental to the provision of a particular service may be included in TSLRIC. The TSLRIC shall be revised annually; and shall be computed, to the extent

possible and

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subject to the exclusions listed above, in a manner consistent with the "Total Element Long-Run Incremental Cost" standard adopted by the FCC in 47 CFR ss. 51.505, or any successor cost standard implemented by the FCC.

(b) The Non-Terminating Party will determine the Transfer Cost for each type of service being provided. Should the Terminating Party wish to dispute a Transfer Cost, it may propose a different Transfer Cost. The dispute will be resolved by a third party who shall select the Transfer Cost which such third party determines to be more consistent with the proper Transfer Cost as defined above.

(c) The third party will be selected from the list in Exhibit A by alternate deletion, beginning with the disputing party, until three remain. Each remaining one shall be requested by the parties to submit a bid for compensation (to be paid in equal share by the parties) for making the determination. The lowest bidder shall be selected as arbitrator.

### 3. Definition of Services

Services that are to be provided by WorldCom or MFS are defined as communication products sold by that party to an independent third party customer under an arms' length arrangement. These services include the transport and switching of telecommunications and data traffic, but do not include any ancillary or value-added services such as facilities management.

### 4. Value of Services

The Non-Terminating Party shall provide up to \$300,000,000 in services over a 3-year period, with a maximum annual service commitment of \$150,000,000. Due to the scope of services requested, the Terminating Party shall provide to the Non-Terminating Party a 6-month rolling forecast of requirements. For the first 12 months of this Agreement, the Non-Terminating Party shall not be obligated to install more than \$500,000 of gross incremental service per month. For the remaining term of this Agreement, the Non-Terminating Party shall not be obligated to install more than \$1,000,000 in gross incremental service per month.

### 5. Capacity

The Non-Terminating Party will make available to the Terminating Party up to 1/3 of all available capacity in its switches and networks. Where sufficient capacity does not exist to satisfy the Terminating Party's requirements, the Non-Terminating Party shall commence a good faith effort to construct the additional capacity in a timely manner. The Non-Terminating Party must undertake such capacity construction where the requested capacity is in a

Terminating Party normally operates and the capacity is for services offered by the Non-Terminating Party to third parties. If capacity construction is required, the Non-Terminating Party can construct as much or as little capacity as it sees fit to satisfy the request. Therefore, for this new construction, the limit of 1/3 available capacity will not govern. For purposes of this Agreement, available capacity shall be determined after taking into account constraints placed on the delivering party by underlying service or network suppliers. If as a result of capacity constraints, the Non-Terminating Party is not able to deliver at least 75% of its requested installation amount for the first 2 years (subject to the limitations in "Value of Services" above), the Non-Terminating Party will extend the term of its obligation hereunder by 1 year.

## 6. Quality of Service

The quality of services provided by the Non-Terminating Party shall generally meet standards and shall not be of materially lower quality than the service provided to third parties purchasing similar services during the same period of time. Should the Non-Terminating Party fail to deliver services that meet such quality standards other than by reason of causes beyond the reasonable control of the Non-Terminating Party, the Terminating Party shall be entitled to service credits equal to 1/96th of a day's bill for each 15 minutes of interrupted service. This service credit will be calculated on a circuit-by-circuit basis. The sum of service credits cannot exceed 24 hours in any one day, nor more than 30 days in any one calendar month. Alternatively, if the overall quality of service provided in aggregate for one month is materially less than the aggregate quality of service provided by the Non-Terminating Party to its third party customers purchasing similar services for that same month other than by reason of causes beyond the reasonable control of the Non-Terminating Party, the Non-Terminating Party will be liable to the Terminating Party for liquidated damages equal to the value of 1/2 times the total bill for the month for any service with materially substandard quality.

## 7. Service Term

All services turned up shall be on a circuit by circuit basis. Circuit installation and disconnect charges shall be calculated according to the Transfer Cost definition above. Should the Terminating Party cancel service prior to one year, the Terminating Party will be liable for any reasonable termination charges resulting from the cancellation.

## 8. Termination

At the end of the 3-year term, service rates will be negotiated between the parties. Should the parties not be able to reach agreement on a new contract



covering these services, in

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order to effect an orderly transition of service, the Non-Terminating Party will be obligated to support all existing services for a period up to 18 months from the termination date at rates equal to those in effect at the time for other customers purchasing similar types and quantities of services.

#### 9. Miscellaneous

(a) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement or the Merger Agreement.

(b) This Agreement may not be modified, changed or discharged in whole or in part, except by an agreement in writing signed by MFS and WorldCom.

(c) This Agreement will be binding upon the parties' permitted assigns. This Agreement may not be assigned by the Terminating Party, whether by operation of law or otherwise, without the prior written consent of the Non-Terminating Party.

(d) No delay or omission by either party in exercising any right under this Agreement will operate as a waiver of that or any other right. A waiver or consent given by either party on any one occasion is effective only in that instance and will not be construed as a bar to or waiver of any right on any other occasion.

(e) This Agreement is governed by and will be construed in accordance with the laws of the State of Delaware.

(f) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

MFS COMMUNICATIONS COMPANY, INC.

By: /s/ James Q. Crowe  
Name: James Q. Crowe  
Title: Chairman of the Board and  
Chief Executive Officer

WORLDCOM, INC.

By: /s/ Bernard J. Ebbers  
Name: Bernard J. Ebbers  
Title: President and  
Chief Executive Officer

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EXHIBIT A

Arthur Andersen  
Coopers & Lybrand  
Deloitte & Touche  
Ernst & Young  
KPMG Peat Marwick  
Price Waterhouse

## STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of August 25, 1996 (the "Agreement"), by and between WorldCom, Inc., a Georgia corporation ("WorldCom"), and MFS Communications Company, Inc., a Delaware corporation ("MFS").

## RECITALS

(A) Merger Agreement. WorldCom, MFS and HIJ Corp., a Delaware corporation and wholly owned subsidiary of WorldCom ("Acquisition Subsidiary"), have entered into an Agreement and Plan of Merger dated as of the date hereof (the "Merger Agreement"), which provides, upon the terms and subject to the conditions set forth therein, for the merger of Acquisition Subsidiary with and into MFS (the "Merger"); and

(B) Condition to Merger Agreement. As a condition and inducement to WorldCom's pursuit of the transactions contemplated by the Merger Agreement, and in consideration therefor, MFS has agreed to grant WorldCom the Option (as hereinafter defined).

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and in the Merger Agreement, and intending to be legally bound hereby, WorldCom and MFS, agree as follows:

1. Defined Terms. Capitalized terms which are used but not defined herein shall have the meanings ascribed to such terms in the Merger Agreement.

2. Grant of Option. Subject to the terms and conditions set forth herein, MFS hereby grants to WorldCom an irrevocable option (the "Option") to purchase a number of shares of common stock, par value \$.01 per share ("MFS Common"), of MFS up to 43,953,073 of such shares (as adjusted as set forth herein, the "Option Shares", which shall include the Option Shares before and after any transfer of such Option Shares, and which represents 19.9% of the issued and outstanding shares of MFS Common as of the date hereof), at a purchase price per Option Share (as adjusted as set forth herein, the "Purchase Price") equal to \$55.3875.

3. Exercise of Option.

(a) Provided that no preliminary or permanent injunction or other order against the delivery of shares covered by the Option issued by any court of competent jurisdiction in the United States shall be in effect, Holder may exercise the Option, in whole or in part, at any time and from time to time

following the occurrence of a Purchase Event (as

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hereinafter defined); provided that the Option shall terminate and be of no further force or effect as follows:

(A) If the Merger is consummated, upon the Effective Date;

(B) If the Merger Agreement is terminated for any reason and a Purchase Event has occurred prior to such termination, eighteen (18) months after the occurrence of such Purchase Event;

(C) If the Merger Agreement is terminated pursuant to Sections 7.1(a), 7.1(b), 7.1(d), 7.1(h), 7.1(j), 7.1(k) or 7.1(l) and a Purchase Event has not occurred prior to such termination, upon such termination;

(D) If the Merger Agreement is terminated for any reason other than those enumerated in clause (C) above and a Purchase Event has not occurred prior to such termination, eighteen (18) months after such termination; and

(E) Three years from the date hereof if the Merger has not been consummated and the Merger Agreement has not been terminated by such date.

provided, however, that any purchase of shares upon exercise of the Option shall be subject to compliance with applicable law. The term "Holder" shall mean the holder or holders of the Option from time to time, and which is initially WorldCom.

(b) As used herein, a "Purchase Event" means any of the following events:

(i) MFS shall have recommended to its stockholders, or MFS or any person (other than WorldCom or any affiliate or associate of WorldCom) shall have publicly proposed or publicly announced, a bona fide MFS Takeover Proposal that shall not have been withdrawn at the time of the exercise of the Option; or

(ii) any person (other than WorldCom or any affiliate or associate of WorldCom) shall have acquired beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Securities Exchange Act) of or the right to acquire beneficial ownership of, or any "group" (as such term is defined in Section 13(d)(3) of the Securities Exchange Act), other than a group of which WorldCom or any affiliate or associate of WorldCom is a member, shall have been formed which

beneficially owns, or has the right to acquire beneficial ownership of, 15% or more of the voting power of MFS; or

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(iii) MFS' Board of Directors shall have withdrawn or modified in a manner adverse to WorldCom the recommendation of MFS' Board of Directors with respect to the MFS Proposals.

As used in this Agreement, "person" shall have the meaning specified in Sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act.

(c) MFS shall notify Holder promptly in writing of the occurrence of any Purchase Event, it being understood that the giving of such notice by MFS shall not be a condition to the right of Holder to exercise the Option.

(d) In the event Holder wishes to exercise the Option, it shall send to MFS a written notice (the date of which being herein referred to as the "Notice Date") specifying (i) the total number of Option Shares it intends to purchase pursuant to such exercise and (ii) a place and date not earlier than three (3) business days nor later than fifteen (15) business days from the Notice Date for the closing (the "Closing") of such purchase (the "Closing Date"). If prior notification to or approval of any governmental regulatory agency is required in connection with such purchase, MFS shall cooperate with Holder in the filing of the required notice or application for approval and the obtaining of such approval and the Closing shall occur immediately following such regulatory approvals (and any mandatory waiting periods). Any exercise of the Option shall be deemed to occur on the Notice Date relating thereto.

(e) Holder, which is initially WorldCom, by this Agreement, with respect to any Option Shares acquired by it on or prior to the record date for the meeting of stockholders of MFS called to consider the MFS Proposals, does hereby constitute and appoint MFS, or any nominee of MFS, with full power of substitution, from the date hereof to the earlier to occur of the termination of the Merger Agreement or the Effective Time, as its true and lawful attorney and proxy (its "Proxy"), for and in its name, place and stead, to vote each of such Option Shares as its Proxy, at every annual, special or adjourned meeting of the stockholders of MFS, including the right to sign its name (as stockholder) to any consent, certificate or other document relating to MFS that the law of the State of Delaware may permit or require:

(i) in favor of the MFS Proposals; and

(ii) against any proposal for any recapitalization, merger (other than the Merger), sale of assets or other business combination between MFS and any person or entity (other than WorldCom or Acquisition Subsidiary or other permitted assignee

thereof under the Merger Agreement) or any other action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of WorldCom under the Merger Agreement or which could result in any of the conditions to the Merger Agreement not being fulfilled.

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THIS POWER OF ATTORNEY IS IRREVOCABLE, IS GRANTED IN CONSIDERATION OF MFS ENTERING INTO THE MERGER AGREEMENT AND IS COUPLED WITH AN INTEREST SUFFICIENT IN LAW TO SUPPORT AN IRREVOCABLE POWER. This appointment shall revoke all prior powers of attorney and proxies appointed by Holder at any time with respect to the Option Shares and no subsequent powers of attorney or proxies will be appointed by Holder, or be effective, with respect thereto during the term of this Agreement.

Holder shall perform such further acts and execute such further documents and instruments as may reasonably be required to vest in MFS the power to carry out and give effect to the provisions of this Agreement.

#### 4. Payment and Delivery of Certificates.

(a) On each Closing Date, Holder shall (i) pay to MFS, in immediately available funds by wire transfer to a bank account designated by MFS, an amount equal to the Purchase Price multiplied by the number of Option Shares to be purchased on such Closing Date, and (ii) present this Agreement to MFS at the address of MFS specified in Section 11(f) and MFS shall mark and return this Agreement to Holder to reflect the exercise of this Option.

(b) At each Closing, simultaneously with the delivery of immediately available funds, and presentation of this Agreement as provided in Section 4(a), (i) MFS shall deliver to Holder (A) a certificate or certificates representing the Option Shares to be purchased at such Closing, which Option Shares shall be free and clear of all liens, fully paid and nonassessable and subject to no preemptive rights, and (B) an executed new agreement with the same terms as this Agreement evidencing the right to purchase the balance of the Option Shares purchasable hereunder, if any, and the remaining rights of the Holder, and (ii) Holder shall deliver to MFS a letter agreeing that Holder shall not offer to sell or otherwise dispose of such Option Shares in violation of applicable federal and state law or of the provisions of this Agreement.

(c) In addition to any other legend that is required by applicable law, certificates for the Option Shares delivered at each Closing shall be endorsed with a restrictive legend which shall read substantially as follows:

THE TRANSFER AND VOTING OF THE STOCK REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO RESTRICTIONS ARISING UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND A STOCK OPTION AGREEMENT DATED AS OF AUGUST 25, 1996. A COPY OF SUCH AGREEMENT WILL BE PROVIDED TO THE HOLDER HEREOF WITHOUT CHARGE UPON RECEIPT BY MFS OF A WRITTEN REQUEST THEREFOR.

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It is understood and agreed that the portion of the above legend relating to restrictions on transfer shall be removed by delivery of substitute certificate(s) without such legend if Holder shall have delivered to MFS a copy of a letter from the staff of the SEC, or an opinion of counsel in form and substance reasonably satisfactory to MFS and its counsel, to the effect that such legend is not required for purposes of the Securities Act. It is understood and agreed that the portion of the above legend relating to voting shall be removed upon expiration or termination of the proxy referred to in Section 3(e) hereof.

(d) Upon the giving by Holder to MFS of the written notice of exercise of the Option provided for under Section 3(e), the tender of the applicable purchase price in immediately available funds and the tender of this Agreement to MFS, Holder shall be deemed to be the holder of record of the shares of MFS Common issuable upon such exercise, notwithstanding that the stock transfer books of MFS shall then be closed or that certificates representing such shares of MFS Common shall not then be actually delivered to Holder. MFS shall pay all expenses, and any and all United States federal, state, and local taxes and other charges that may be payable in connection with the preparation, issuance and delivery of stock certificates under this Section in the name of Holder or its assignee, transferee, or designee.

(e) MFS agrees (i) that it shall at all times maintain, free from preemptive rights, sufficient authorized but unissued or treasury shares of MFS Common so that the Option may be exercised without additional authorization of MFS Common after giving effect to all other options, warrants, convertible securities and other rights to purchase MFS Common, (ii) that it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance or performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by MFS, and (iii) promptly to take all action as may from time to time be required (including (A) complying with all premerger notification, reporting and waiting period requirements, (B) in the event prior approval of or notice to any governmental regulatory agency is necessary before the Option may be exercised, cooperating fully with Holder in preparing such applications or notices and providing such information to such Governmental Authority as it may require and (C) amending, redeeming or taking such other action with respect to the MFS Rights Agreement so as to preclude WorldCom from becoming an "Acquiring Person" and to preclude a "Stock Acquisition Date" or a

"Distribution Date" (or similar events) from occurring thereunder in order to permit Holder to exercise the Option and MFS duly and effectively to issue shares of the MFS Common pursuant hereto, as long as, after giving effect to the exercise of the Option (or any part thereof), Holder would not own beneficially (within the meaning of Rule 13d-3 under the Securities Exchange Act) more than 17.5% of the issued and outstanding MFS Common.

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5. Representations and Warranties of MFS. MFS hereby represents and warrants to WorldCom (and Holder, if different from WorldCom) as follows:

(a) Corporate Authority. MFS has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of MFS, and no other corporate proceedings on the part of MFS are necessary to authorize this Agreement or to consummate the transactions so contemplated; this Agreement has been duly and validly executed and delivered by MFS.

(b) Beneficial Ownership. To the best knowledge of MFS, as of the date of this Agreement, no person or group has beneficial ownership of more than 10% of the issued and outstanding shares of MFS Common.

(c) Shares Reserved for Issuance; Capital Stock. MFS has taken all necessary corporate action to authorize and reserve and permit it to issue, and at all times from the date hereof through the termination of this Agreement in accordance with its terms, will have reserved for issuance upon the exercise of the Option, that number of shares of MFS Common equal to the maximum number of shares of MFS Common at any time and from time to time purchasable upon exercise of the Option, and all such shares, upon issuance pursuant to the Option, will be duly authorized, validly issued, fully paid and nonassessable, and will be delivered free and clear of all claims, liens, encumbrances, and security interests (other than those created by this Agreement) and not subject to any preemptive rights.

(d) No Violations. The execution, delivery and performance of this Agreement does not or will not, and the consummation by MFS of any of the transactions contemplated hereby will not, constitute or result in (A) a breach or violation of, or a default under, its certificate of incorporation or by-laws, or the comparable governing instruments of any of its subsidiaries, or (B) a breach or violation of, or a default under, any agreement, lease, contract, note, mortgage, indenture, arrangement or other obligation of it or any of its subsidiaries (with or without the giving of notice, the lapse of time or both) or under any law, rule, ordinance or regulation or judgment, decree, order, award or governmental or non-governmental permit or license to which it



or any of its subsidiaries is subject, that would, in any case give any other person the ability to prevent or enjoin MFS' performance under this Agreement in any material respect.

6. Representations and Warranties Of WorldCom. WorldCom hereby represents and warrants to MFS as follows:

(a) Corporate Authority. WorldCom has full corporate power and authority to enter into this Agreement and, subject to obtaining the approvals referred to in this

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Agreement, to consummate the transactions contemplated by this Agreement; the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of WorldCom; and this Agreement has been duly executed and delivered by WorldCom.

(b) Investment Representations.

(i) WorldCom is acquiring the Option and the Option Shares (collectively, the "Securities") for its own account for investment only, and not with a view to, or for sale in connection with, any distribution of the Securities in violation of the Securities Act, or any rule or regulation under the Securities Act.

(ii) WorldCom has had such opportunity as it deems adequate to obtain from representatives of MFS such information as is necessary to permit WorldCom to evaluate the merits and risks of its investment in MFS.

(iii) WorldCom has sufficient experience in business, financial and investment matters to be able to evaluate the risks involved in the purchase of the Securities and to make an informed investment decision with respect to such purchase.

(iv) WorldCom acknowledges that (1) the Securities have not been registered under the Securities Act and are "restricted securities" within the meaning of Rule 144 under the Securities Act and (2) the Securities cannot be sold, transferred or otherwise disposed of unless they are subsequently registered under the Securities Act or an exemption from registration is then available.

7. Adjustment upon Changes in MFS Capitalization, etc.

(a) In the event of any change in the MFS Common by reason of a stock dividend, stock split, split-up, recapitalization, combination, exchange of shares or similar transaction, the type and number of shares or securities subject to the Option, and the Purchase Price therefor, shall be adjusted

appropriately, and proper provision shall be made in the agreements governing such transaction so that Holder shall receive, upon exercise of the Option, the number and class of shares or other securities or property that Holder would have received in respect of MFS Common if the Option had been exercised immediately prior to such event, or the record date therefor, as applicable. If any additional shares of MFS Common are issued after the date of this Agreement (other than pursuant to an event described in the first sentence of this Section 7(a), upon exercise of any option to purchase MFS Common outstanding on the date hereof or upon conversion into MFS Common of any convertible security of MFS outstanding on the date hereof), the number of shares of MFS Common subject to the Option shall be adjusted so that, after such issuance, it, together with any shares of MFS Common previously issued pursuant hereto, equals 19.9% of the number

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of shares of MFS Common then issued and outstanding, without giving effect to any shares subject to or issued pursuant to the Option. No provision of this Section 7 shall be deemed to affect or change, or constitute authorization for any violation of, any of the covenants or representations in the Merger Agreement.

(b) In the event that MFS shall enter into an agreement (i) to consolidate with or merge into any person, other than WorldCom or one of its subsidiaries, and shall not be the continuing or surviving corporation of such consolidation or merger, (ii) to permit any person, other than WorldCom or one of its subsidiaries, to merge into MFS and MFS shall be the continuing or surviving corporation, but, in connection with such merger, the then outstanding shares of MFS Common shall be changed into or exchanged for stock or other securities of MFS or any other person or cash or any other property or the outstanding shares of MFS Common immediately prior to such merger shall after such merger represent less than 50% of the outstanding shares and share equivalents of the merged company, or (iii) to sell or otherwise transfer all or substantially all of its assets to any person, other than WorldCom or one of its subsidiaries, then, and in each such case, the agreement governing such transaction shall make proper provisions so that the Option shall, upon the consummation of any such transaction and upon the terms and conditions set forth herein, be converted into, or exchanged for, an option to acquire the number and class of shares or other securities or property that Holder would have received in respect of MFS Common if the Option had been exercised immediately prior to such consolidation, merger, sale or transfer, or the record date therefor, as applicable.

## 8. Registration Rights.

(a) Demand Registration Rights. MFS shall, subject to the conditions of 8(c) below, if requested by Holder, including WorldCom and any permitted transferee acquiring at least 10% of the shares of MFS Common represented by the Option on the date hereof (each, a "Selling Shareholder"), as

expeditiously as possible prepare and file a registration statement under the Securities Act if such registration is necessary in order to permit the sale or other disposition of any or all shares of MFS Common or other securities that have been acquired by or are issuable to the Selling Shareholder upon exercise of the Option in accordance with the intended method of sale or other disposition stated by the Selling Shareholder in such request, including without limitation a "shelf" registration statement under Rule 415 under the Securities Act or any successor provision, and MFS shall use its best efforts to qualify such shares or other securities for sale under any applicable state securities laws, provided, however, that MFS shall not be required to consent to general jurisdiction or qualify to do business in any state where it is not otherwise required to so consent to such jurisdiction or to so qualify to do business.

(b) Additional Registration Rights. If MFS at any time after the exercise of the Option proposes to register any shares of MFS Common under the Securities Act, MFS

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will promptly give written notice to the Selling Shareholders of its intention to do so and, upon the written request of any Selling Shareholder given within thirty (30) days after receipt of any such notice (which request shall specify the number of shares of MFS Common intended to be included in such public offering by the Selling Shareholder), MFS will cause all such shares for which a Selling Shareholder requests participation in such registration, to be so registered and included in such public offering, provided, however, that MFS may elect to not cause any such shares to be so registered (i) if such public offering is to be underwritten and the underwriters in good faith object for valid business reasons, or (ii) in the case of a registration solely to implement an employee benefit plan or a registration filed on Form S-4 of the Securities Act or any successor Form; provided, further, however, that such election pursuant to (i) may only be made two times. If some but not all the shares of MFS Common, with respect to which MFS shall have received requests for registration pursuant to this Section 8(b), shall be excluded from such registration, MFS shall make appropriate allocation of shares to be registered among the Selling Shareholders desiring to register their shares pro rata in the proportion that the number of shares requested to be registered by each such Selling Shareholder bears to the total number of shares requested to be registered by all such Selling Shareholders then desiring to have MFS Common registered for sale.

(c) Conditions to Required Registration. MFS shall use all reasonable efforts to cause each registration statement referred to in Section 8(a) above to become effective and to obtain all consents or waivers of other parties which are required therefor and to keep such registration statement effective; provided, however, that MFS may delay any registration of Option Shares required pursuant to Section 8(a) above for a period not exceeding ninety (90) days provided MFS shall in good faith determine that any such registration would adversely affect MFS (provided that this right may not be exercised more

than once during any twelve month period), and MFS shall not be required to register Option Shares under the Securities Act pursuant to Section 8(a) above:

(i) on more than one occasion during any calendar year;

(ii) within ninety (90) days after the effective date of a registration referred to in Section 8(b) above pursuant to which the Selling Shareholder or Selling Shareholders concerned were afforded the opportunity to register such shares under the Securities Act and such shares were registered as requested;

(iii) unless a request therefor is made to MFS by Selling Shareholders that hold at least 25% or more of the aggregate number of Option Shares (including shares of MFS Common issuable upon exercise of the Option) then outstanding; or

(iv) if all the Option Shares proposed to be registered could be sold by the Selling Shareholders in a 90-day period in accordance with Rule 144.

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In addition to the foregoing, MFS shall not be required to maintain the effectiveness of any registration statement after the expiration of six (6) months from the effective date of such registration statement. MFS shall use all reasonable efforts to make any filings, and take all steps, under all applicable state securities laws to the extent necessary to permit the sale or other disposition of the Option Shares so registered in accordance with the intended method of distribution for such shares; provided, however, that MFS shall not be required to consent to general jurisdiction or qualify to do business in any state where it is not otherwise required to so consent to such jurisdiction or to so qualify to do business.

(d) Expenses. Except where applicable state law prohibits such payments, MFS will pay all expenses (including without limitation registration fees, qualification fees, blue sky fees and expenses (including the fees and expenses of counsel), legal expenses, including the reasonable fees and expenses of one counsel to the holders whose Option Shares are being registered (not to exceed \$15,000), printing expenses and the costs of special audits or "cold comfort" letters, expenses of underwriters, excluding discounts and commissions but including liability insurance if MFS so desires or the underwriters so require, and the reasonable fees and expenses of any necessary special experts) in connection with each registration pursuant to Section 8(a) or 8(b) above (including the related offerings and sales by holders of Option Shares) and all other qualifications, notifications or exemptions pursuant to Section 8(a) or 8(b) above.

(e) Indemnification. In connection with any registration under Section 8(a) or 8(b) above, MFS hereby indemnifies the Selling Shareholders, and each underwriter thereof, including each person, if any, who controls such Holder or underwriter within the meaning of Section 15 of the Securities Act, against all expenses, losses, claims, damages and liabilities caused by any untrue, or alleged untrue, statement of a material fact contained in any registration statement or prospectus or notification or offering circular (including any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission, or alleged omission, to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such expenses, losses, claims, damages or liabilities of such indemnified party are caused by any untrue statement or alleged untrue statement that was included by MFS in any such registration statement or prospectus or notification or offering circular (including any amendments or supplements thereto) in reliance upon and in conformity with, information furnished in writing to MFS by such indemnified party expressly for use therein, and MFS and each officer, director and controlling person of MFS shall be indemnified by such Selling Shareholders, or by such underwriter, as the case may be, for all such expenses, losses, claims, damages and liabilities caused by any untrue, or alleged untrue, statement, that was included by MFS in any such registration statement or prospectus or notification or offering circular (including any amendments or supplements thereto) in reliance upon, and in conformity with, information furnished in writing to MFS by or on behalf of such Selling Shareholder or such underwriter, as the case may be, expressly for such use.

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Promptly upon receipt by a party indemnified under this Section 8(e) of notice of the commencement of any action against such indemnified party in respect of which indemnity or reimbursement may be sought against any indemnifying party under this Section 8(e), such indemnified party shall notify the indemnifying party in writing of the commencement of such action, but the failure so to notify the indemnifying party shall not relieve it of any liability which it may otherwise have to any indemnified party under this Section 8(e) except to the extent the indemnified party is materially prejudiced thereby. In case notice of commencement of any such action shall be given to the indemnifying party as above provided, the indemnifying party shall be entitled to participate in and, to the extent it may wish, jointly with any other indemnifying party similarly notified, to assume the defense of such action at its own expense, with counsel chosen by it and reasonably satisfactory to such indemnified party. The indemnified party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel (other than reasonable costs of investigation) shall be paid by the indemnified party unless (i) the indemnifying party either agrees to pay the same, (ii) the indemnifying party fails to assume the defense

of such action with counsel reasonably satisfactory to the indemnified party, or (iii) the indemnified party has been advised by counsel that one or more legal defenses may be available to the indemnifying party that may be contrary to the interest of the indemnified party, in which case the indemnifying party shall be entitled to assume the defense of such action notwithstanding its obligation to bear fees and expenses of such counsel. No indemnifying party shall be liable for any settlement entered into without its consent, which consent may not be unreasonably withheld.

If the indemnification provided for in this Section 8(e) is unavailable to a party otherwise entitled to be indemnified in respect of any expenses, losses, claims, damages or liabilities referred to herein, then the indemnifying party, in lieu of indemnifying such party otherwise entitled to be indemnified, shall contribute to the amount paid or payable by such party to be indemnified as a result of such expenses, losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative benefits received by MFS, the Selling Shareholders and the underwriters from the offering of the securities and also the relative fault of MFS, the Selling Shareholders and the underwriters in connection with the statements or omissions which resulted in such expenses, losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The amount paid or payable by a party as a result of the expenses, losses, claims, damages and liabilities referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim, provided, however, that in no case shall any Selling Shareholder be responsible, in the aggregate, for any amount in excess of the net offering proceeds attributable to its Option Shares included in the offering. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any obligation by any Selling Shareholder to indemnify shall be several and not joint with other holders.

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In connection with any registration pursuant to Section 8(a) or 8(b) above, MFS and each Selling Shareholder (other than WorldCom) shall enter into an agreement containing the indemnification provisions of this Section 8(e). In the event of an underwritten public offering pursuant to Section 8(b), the Company and the Selling Shareholders shall enter into an underwriting agreement containing customary terms and provisions; provided that the indemnification provisions as they relate to Selling Shareholders shall contain substantially the same limitations as the provisions set forth herein.

(f) Miscellaneous Reporting. MFS shall comply with all reporting requirements and will do all such other things as may be necessary to permit the expeditious sale at any time of any Option Shares by the Selling Shareholders thereof in accordance with and to the extent permitted by any rule or regulation

promulgated by the SEC from time to time, including, without limitation, Rule 144. MFS shall at its expense provide the Selling Shareholders with any information necessary in connection with the completion and filing of any reports or forms required to be filed by them under the Securities Act or the Securities Exchange Act, or required pursuant to any state securities laws or the rules of any stock exchange.

(g) Issue Taxes. MFS will pay all stamp taxes in connection with the issuance and the sale of the Option Shares and in connection with the exercise of the Option, and will hold the Selling Shareholders harmless, without limitation as to time, against any and all liabilities, with respect to all such taxes.

9. Quotation; Listing. If MFS Common or any other securities to be acquired in connection with the exercise of the Option are then authorized for quotation or trading or listing on any securities exchange, MFS, upon the request of Holder, will promptly file an application, if required, to authorize for quotation or trading or listing the shares of MFS Common or other securities to be acquired upon exercise of the Option on such securities exchange and will use its best efforts to obtain approval, if required, of such quotation or listing as soon as practicable.

10. Division of Option. This Agreement (and the Option granted hereby) are exchangeable, without expense, at the option of Holder, upon presentation and surrender of this Agreement at the principal office of MFS for other Agreements providing for Options of different denominations entitling the holder thereof to purchase in the aggregate the same number of shares of MFS Common purchasable hereunder. The terms "Agreement" and "Option" as used herein include any other Agreements and related Options for which this Agreement (and the Option granted hereby) may be exchanged. Upon receipt by MFS of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, MFS will execute and deliver a new Agreement of like tenor and date. Any such new Agreement

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executed and delivered shall constitute an additional contractual obligation on the part of MFS, whether or not the Agreement so lost, stolen, destroyed or mutilated shall at any time be enforceable by anyone.

11. Miscellaneous.

(a) Expenses. Each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel.

(b) Waiver and Amendment. Any provision of this Agreement may be waived at any time by the party that is entitled to the benefits of such provision. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

(c) Entire Agreement: No Third-Party Beneficiaries; Severability. This Agreement, together with the Merger Agreement and the other documents and instruments referred to herein and therein, between WorldCom and MFS (i) constitute the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, and (ii) is not intended to confer upon any person other than the parties hereto (other than the indemnified parties under Section 8(e) and any transferees of the Option Shares or any permitted transferee of this Agreement pursuant to Section 11(h)) any rights or remedies hereunder. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. If for any reason such court or Governmental Authority determines that the Option does not permit Holder to acquire the full number of shares of MFS Common as provided in Section 3 (as may be adjusted herein), it is the express intention of MFS to allow Holder to acquire such lesser number of shares as may be permissible without any amendment or modification hereof.

(d) Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware without regard to any applicable conflicts of law rules.

(e) Descriptive Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

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(f) Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (with confirmation) or mailed by registered or certified mail (return receipt requested) to the parties at the addresses set forth in the Merger Agreement (or at such other address for a party as shall be specified by like notice).

(g) Counterparts. This Agreement and any amendments hereto may be executed in two counterparts, each of which shall be considered one and the same agreement and shall become effective when both counterparts have been signed and delivered, it being understood that both parties need not sign the same counterpart.



(h) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder or under the Option shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party, except that Holder may assign this Agreement to a wholly-owned subsidiary of Holder and Holder may assign its rights hereunder in whole or in part after the occurrence of a Purchase Event. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

(i) Further Assurances. In the event of any exercise of the Option by Holder, MFS and Holder shall execute and deliver all other documents and instruments and take all other action that may be reasonably necessary in order to consummate the transactions provided for by such exercise.

(j) Specific Performance. The parties hereto agree that this Agreement may be enforced by either party through specific performance, injunctive relief and other equitable relief. Both parties further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such equitable relief and that this provision is without prejudice to any other rights that the parties hereto may have for any failure to perform this Agreement.

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IN WITNESS WHEREOF, MFS and WorldCom have caused this Stock Option Agreement to be signed by their respective officers thereunto duly authorized, all as of the day and year first written above.

MFS COMMUNICATIONS COMPANY, INC.

By: /s/ James Q. Crowe  
Name: James Q. Crowe  
Title: Chairman of the Board and  
Chief Executive Officer

WORLD.COM, INC.

By: /s/ Bernard J. Ebbers

Name: Bernard J. Ebbers

Title: President and Chief Executive  
Officer

IMMEDIATE RELEASE

CONTACTS: Media:

WorldCom, Inc.: Gil Broyles, 212-317-1509 or 918-588-5752

MFS: Josh Howell, 212-317-2795 or 402-231-3430

UUNET: Paula Jagemann, 212-317-2984 or 703-206-5888

Investors:

WorldCom, Inc.: Charles Cannada, 212-317-1518 or 601-360-8600

MFS: Gary Brandt, 212-317-2982 or 402-231-3432

UUNET: Paula Jagemann, 212-317-2984 or 703-206-5888

WORLDCOM, INC. AND MFS ANNOUNCE MERGER TO FORM  
PREMIER BUSINESS COMMUNICATIONS COMPANY

Combination of WorldCom, Inc., MFS and UUNET Brings Together The  
Leading Growth Companies From Every Key Telecom Industry Segment:  
Long Distance, Local, Internet and International

Analyst Conference Call, Press Conference and Analyst Meetings Scheduled

Jackson, Miss., and Omaha, Neb., August 26, 1996 - WorldCom, Inc. and  
MFS Communications Company, Inc., (MFS) jointly announced today that  
the two companies have executed a definitive Agreement and Plan of Merger.

Under the terms of the agreement, each share of MFS common stock will  
be exchanged for 2.1 shares of WorldCom, Inc. common stock. As of Friday's  
closing, the merger consideration for MFS stock is approximately \$14 billion.  
The merger agreement was unanimously approved by the Board of Directors of each  
company and the transaction will be recommended by each board to its  
shareholders for consideration at a special shareholder meeting to be called  
by each company. The combined company will be known as MFS WorldCom. A brief  
summary of significant terms of the merger agreement is attached.

Merger Creates Premier Business Communications Company

The merger will create one of the world's premier business  
communications companies, providing a single source for a full range of local,  
long distance, Internet and international service over an advanced fiber optic  
network.

"Rarely in business do you have the opportunity to bring together the premier growth companies from key segments of an industry," said Bernard J. Ebbers, president and CEO of WorldCom, Inc. "We are creating the first company since the breakup of AT&T to bundle together local and long distance services carried over an international end-to-end fiber network owned or controlled by a single company.

"The merger is especially compelling because of the unique fit between WorldCom, Inc., MFS and UUNET.

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"First, since WorldCom, Inc.'s networks will connect to MFS' city networks, we expect to achieve significant cost savings from reduced line and access costs. Second, the merger will eliminate duplication of capital spending programs, including those for undersea capacity, international facilities and MFS' planned U.S. intercity network. Third, the combined company is uniquely positioned to take full advantage of the congressional intent behind the Telecom Act as well as the recently released FCC Interconnection Order.

Taken together, we expect these cost savings alone, including payment for originating and terminating both local and long distance calls, to substantially justify the merger. However, perhaps the most exciting opportunity for MFS WorldCom is to simultaneously increase revenue and increase customer retention by offering a unique combination of local, long distance and international calling and Internet based services sold by a combined sales force of nearly 3,000 professionals."

James Q. Crowe, chairman and CEO of MFS said, "Bernie Ebbers and WorldCom, Inc. are at the very top of all American companies in creating shareholder value. I look forward to joining Bernie's team and helping to continue that record."

John Sidgmore, president and CEO of UUNET Technologies, Inc., said, "The merger of MFS and UUNET combines the nation's leading provider of Internet services to business with a state-of-the-art local fiber optic network in the U.S. and Europe. The merger with WorldCom, Inc. adds the one missing element, a broadband intercity network. I believe the combined company will be the leader in assisting businesses to harness the full power of Internet-based technologies. I am particularly excited about our combined ability to meet the explosive demand for corporate 'Intranets' utilizing technology and facilities available from a single source."

The merged company will have current annualized revenue of approximately \$5.4 billion, with over 500,000 business customers throughout North America, Europe and Asia. On a combined basis annualized second quarter revenues grew at almost 30 percent over the prior year. At the heart of the combined company will be an end-to-end fiber network with 25,000 miles of fiber in

service or under construction connecting all major metropolitan areas in the United States.

### Combined Company Organization

Bernard J. Ebbers will serve as president and CEO of MFS WorldCom with James Q. Crowe serving as chairman of the board of MFS WorldCom, and chairman and CEO of MFS; John Sidgmore serving as a vice chairman of MFS WorldCom, and president and COO of MFS and CEO of UUNET; Roy Wilkens serving as a vice chairman of MFS WorldCom, and president and CEO of WilTel Network Services; and Royce Holland serving as vice chairman of MFS.

The combined company's board of directors will consist of an odd number of directors with WorldCom, Inc. designating one more director than MFS.

### International Opportunities

The combined company is particularly well positioned to benefit from the global trend toward pro-competitive regulation. The combined company has annualized second quarter international revenues of over \$800 million -- up 80 percent over the last twelve months.

Ebbers said, "The combined company can capitalize on both MFS' and WorldCom, Inc.'s leading international positions, particularly in Europe. The opportunity to jointly sell service using MFS' local networks in France, Germany and the United Kingdom is particularly exciting, since those countries together make up almost two-thirds of the European telecom market."

### MFS WorldCom to Use Purchase Accounting

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The combined company anticipates the merger will be accounted for as a purchase with a substantial portion of the purchase price to be allocated to intangible assets including goodwill. It is expected that these intangible assets will be amortized over 40 years. The actual allocation of purchase price and selection of amortization period is subject to further evaluation.

The company believes that the merger will be value accretive in the short term and earnings accretive in the longer term.

### Treatment of MFS Bondholders

As currently structured, the transaction calls for MFS to become a wholly owned subsidiary of MFS WorldCom. This structure may give the holders of MFS' 9 3/8 percent Senior Discount Notes due 2004 and its 8 7/8 percent Senior Discount Notes due 2006, upon consummation of the merger, the right to require MFS to repurchase those notes at an amount equal to 101 percent of the accreted amount thereof. However, MFS and WorldCom, Inc. are continuing to

evaluate alternative structures for the transaction and the implications of those structures and, upon mutual agreement, could modify the structure in a way which might result in the holders of MFS notes not having the right to require repurchase of those notes.

#### Closing Expected in Four to Eight Months

The parties hope to complete the merger within four to eight months. Consummation of the merger is subject to typical conditions including approval of the stockholders of each of the companies, Hart-Scott-Rodino clearance and approval of the Federal Communications Commission and various state regulatory authorities.

The merger agreement provides for options on the part of each company to purchase a number of shares of the other (equal to approximately 20 percent of the outstanding shares) under certain circumstances and also provides for the payment of fees and the provision of communication services in the event of termination of the merger agreement under certain circumstances.

#### Uncertainties Relating To Forward Looking Statements

This press release contains forward looking statements that involve risks and uncertainties, including the satisfaction of the conditions to the transaction and the successful integration of WorldCom, Inc. and MFS, competitive and regulatory risk associated with the telecommunications and Internet industries, and other risks detailed from time to time in the SEC reports filed by WorldCom, Inc. and MFS, including the report on Form 10-K filed by WorldCom, Inc. for the year ending December 31, 1995, and the report on Form 10-K filed by MFS for the year ended December 31, 1995. Actual results, events and performance may differ materially.

#### Company Descriptions

Headquartered in Jackson, Mississippi, WorldCom, Inc. is one of the largest long distance telecommunications companies in the United States, offering domestic and international voice, data and video products and services to business customers, other carriers and the residential market. The company operates a nationwide digital fiber optic network and has worldwide network capacity. The common shares of WorldCom, Inc. trade on the Nasdaq Stock market under the symbol WCOM.

MFS is a leading provider of communication services for business and government. Through its operating company subsidiaries, MFS provides one-stop shopping for integrated local and long-distance services as well as a wide range of high quality voice, data and other enhanced services and systems specifically designed to meet the requirements of business and government customers. MFS' common stock is traded on the Nasdaq Stock Market under the symbol MFST. MFS is headquartered in Omaha, Nebraska.

Recently merged with MFS, UUNET is a leading national and international

provider of a comprehensive range of Internet access options, applications, security products and consulting services to businesses, professionals, and on-line service providers. UUNET is recognized as the first commercial Internet Service Provider.

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Summary of Significant Terms  
Tax-Free Merger of MFS and WorldCom, Inc.

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This summary is qualified in its entirety by the definitive merger agreement that will be filed with the Securities and Exchange Commission. Please refer to the agreement for a complete description of the terms of the transaction.

Consideration

WorldCom, Inc. Common Stock in a tax-free transaction (the "Transaction").

Exchange Ratio

2.1 shares of WorldCom, Inc. Common Stock per MFS Common Share. Fixed exchange ratio. MFS Preferred Stock to be converted into similar shares of WorldCom, Inc. Preferred Stock.

Conditions

Shareholder approval of both companies.

Federal and state regulatory and Hart-Scott-Rodino approvals.

Receipt of tax opinions.

No injunction.

No material adverse change in MFS' or WorldCom, Inc.'s business.

Options to Purchase Stock

Subject to specified conditions, each party has the option to purchase up to 19.9 percent of the outstanding shares of the other party. WorldCom, Inc.'s option to acquire MFS shares priced at \$55.39. MFS' option to acquire WorldCom, Inc. shares priced at \$26.38.

Termination Arrangements

\$350 million fee to be paid, together with an agreement to provide telecommunications services, by the party failing to complete the Transaction.

The telecommunications services will be provided by the party failing to complete the Transaction, at the option of the other party, at cost with a value not to exceed \$300 million over 3 years.

Contacts (after August 26, 1996):

Media: WorldCom, Inc.: Gil Broyles, 918-590-5752 MFS: Josh Howell,  
402-231-3430 UUNET: Paula Jagemann, 703-206-5888

Investors: WorldCom, Inc.: Charles Cannada, 601-360-8600 MFS:  
Gary Brandt, 402-231-3432 UUNET: Paula Jagemann, 703-206-5888

EDITOR'S NOTE:

#### ANALYST CONFERENCE CALL SCHEDULED

WorldCom, Inc. and MFS have scheduled a joint analyst and investor conference call on Monday, August 26, 1996 at 9 a.m. (Eastern Time) with Bernard J.

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Ebbers, president and CEO of WorldCom, Inc. and James Q. Crowe, chairman and CEO of MFS, along with John W. Sidgmore, president and CEO of UUNET to discuss the above announcement. Following this presentation, they will respond to questions.

IF YOU WISH TO PARTICIPATE, PLEASE CALL 1-800-553-2599 (within the U.S.) or 303-267-1002 (international participants). PLEASE REFER TO CONFIRMATION NUMBER 128418.

Following the call, rebroadcasts will be available immediately and will continue through Wednesday close of business, eastern time. To hear the rebroadcast call, 1-800-696-1588 (within the U.S.) or 303-267-1037 (international participants). Please refer to confirmation number 128418.

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#### PRESS CONFERENCE SCHEDULED

WorldCom, Inc. and MFS have scheduled a joint press conference on Monday, August 26, 1996, at 10 a.m. (Eastern Time) in the Wedgewood Room of the Hotel Pierre, 2 East 61st, New York, NY, with Bernard J. Ebbers, president and CEO



of WorldCom, Inc. and James Q. Crowe, chairman and CEO of MFS, along with John W. Sidgmore, president and CEO of UUNET to discuss the above announcement. Following some brief statements the participants will respond to questions.

#### ANALYST MEETINGS SCHEDULED

WorldCom, Inc. and MFS have scheduled a series of analyst meetings for institutional investors in Boston, New York, San Francisco and Denver with Bernard J. Ebbers, president and CEO of WorldCom, Inc. and James Q. Crowe, chairman and CEO of MFS, along with John W. Sidgmore, president and CEO of UUNET to review and discuss the merger.

The meetings are scheduled as follows:

Tuesday, August 27	Meridian Hotel Timberlay Room 250 Franklin Boston, MA	7:30-9:00 a.m.
Tuesday, August 27	Hotel Pierre Grand Ballroom 2 East 61st New York, NY	12:30-2:00 p.m.
Wednesday, August 28	Park Hyatt Commodities Room 333 Battery Street San Francisco, CA	7:30-9:00 a.m.
Wednesday, August 28	Hyatt Hotel Vista Room 1750 Welton Street Denver, CO	2:00-3:30 p.m.