



**Attachment 1**

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**AGREEMENT AND PLAN OF MERGER**

**DATED AS OF OCTOBER 4, 1999**

**BETWEEN**

**MCI WORLDCOM, INC.**

**and**

**SPRINT CORPORATION**

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AGREEMENT AND PLAN OF MERGER, dated as of October 4, 1999 (this "Agreement"), between MCI WORLDCOM, INC., a Georgia corporation ("MCI WorldCom"), and SPRINT CORPORATION, a Kansas corporation ("Sprint").

WITNESSETH:

WHEREAS, the respective Boards of Directors of MCI WorldCom and Sprint have each determined that the merger of Sprint with and into MCI WorldCom (the "Merger") is in the best interests of their respective stockholders, such Boards of Directors have adopted resolutions approving the Merger and recommending that their respective stockholders adopt and approve this Agreement, and the Board of Directors of Sprint has also determined that the terms of the Merger are fair to holders of Sprint FON Stock, taken as a separate class, and holders of Sprint PCS Stock, taken as a separate class, upon the terms and subject to the conditions set forth in this Agreement, pursuant to which each outstanding share of capital stock of Sprint issued and outstanding immediately prior to the Effective Time, other than shares owned or held by MCI WorldCom or Sprint and other than Dissenting Shares, will be converted into the right to receive the applicable Merger Consideration as set forth in Section 1.8;

WHEREAS, MCI WorldCom and Sprint desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated hereby and also to prescribe various conditions to the transactions contemplated hereby; and

WHEREAS, MCI WorldCom and Sprint intend, by approving resolutions authorizing this Agreement, to adopt this Agreement as a plan of reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder.

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

ARTICLE I

THE MERGER

1.1 *The Merger.* Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the Kansas General Corporation Code (the "KGCC") and the Georgia Business Corporation Code (the "GBCC"), Sprint shall be merged with and into MCI WorldCom at the Effective Time. Following the Merger, the separate corporate existence of Sprint shall cease and MCI WorldCom shall continue as the surviving corporation (the "Surviving Corporation").

1.2 *Closing.* The closing of the Merger (the "Closing") will take place at 10:00 a.m., New York City time, on the second Business Day after the satisfaction or (subject to applicable law) waiver of the conditions (excluding conditions that, by their terms, cannot be satisfied until the Closing Date) set forth in Article VI (the "Closing Date"), unless another time or date is agreed to in writing by the parties hereto. The Closing shall be held at the offices of Cravath, Swaine & Moore, Worldwide Plaza, 825 Eighth Avenue, New York, New York, 10019, unless another place is agreed to in writing by the parties hereto.

1.3 *Effective Time.* As soon as practicable following the Closing, the parties shall (a) (i) file a certificate of merger (the "Kansas Certificate of Merger") in such form as is required by and executed in accordance with the relevant provisions of the KGCC and (ii) make all other filings or recordings required under the KGCC, and (b) (i) file a certificate of merger (the "Georgia Certificate of Merger") in such form as is required by and executed in accordance with the relevant provisions of the GBCC and (ii) make all other filings or recordings required under the GBCC. The Merger shall become effective upon the later to occur of the filing of (i) the Kansas Certificate of Merger with the Kansas Secretary of State and (ii) the Georgia

Certificate of Merger with the Georgia Secretary of State, or at such subsequent time as MCI WorldCom and Sprint shall agree and be specified in the Kansas Certificate of Merger and the Georgia Certificate of Merger (the date and time the Merger becomes effective being the "Effective Time").

1.4 *Effects of the Merger.* At and after the Effective Time, the Merger will have the effects set forth in the KGCC and GBCC. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Sprint shall be vested in the Surviving Corporation, and all debts, liabilities and duties of Sprint shall become the debts, liabilities and duties of the Surviving Corporation. Without limiting the generality of the foregoing, at the Effective Time, the Surviving Corporation hereby expressly assumes all of Sprint's obligations in respect of the rights of the Class A Holders granted pursuant to Sprint's articles of incorporation, under Sprint's by-laws and under the Amended and Restated Stockholders' Agreement, the Master Restructuring and Investment Agreement and the Amended and Restated Registration Rights Agreement, in each case between Sprint, on the one hand, and France Telecom and Deutsche Telekom AG, on the other hand.

1.5 *Articles of Incorporation.* The articles of incorporation of MCI WorldCom, as in effect immediately prior to the Effective Time, shall be amended as of the Effective Time as described in Exhibit A hereto and, as so amended, such articles of incorporation shall be the articles of incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

1.6 *By-Laws.* The by-laws of MCI WorldCom, as in effect immediately prior to the Effective Time, shall be amended as of the Effective Time as described in Exhibit B hereto and, as so amended, such by-laws shall be the by-laws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

1.7 *Certain Surviving Corporation Matters.* MCI WorldCom and Sprint shall cause the matters set forth in Annex 1 hereto regarding the Surviving Corporation to be effected as of the Effective Time.

1.8 *Effect on Capital Stock.*

(a) As contemplated by Exhibit A, at the Effective Time, the articles of incorporation of MCI WorldCom will be amended to provide for the creation of the following series of capital stock of:

- (i) Class A Common Stock, Series FT, par value \$2.50 per share (the "MCI WorldCom Series FT Common Stock");
- (ii) Class A Common Stock, Series DT, par value \$2.50 per share (the "MCI WorldCom Series DT Common Stock");
- (iii) Common Stock, Series 2, par value \$0.01 per share (the "MCI WorldCom Series 2 Common Stock");
- (iv) Common Stock, Series 3, par value \$0.01 per share (the "MCI WorldCom Series 3 Common Stock");
- (v) PCS Common Stock, Series 1, par value \$1.00 per share (the "MCI WorldCom Series 1 PCS Stock");
- (vi) PCS Common Stock, Series 2, par value \$1.00 per share (the "MCI WorldCom Series 2 PCS Stock");
- (vii) PCS Common Stock, Series 3, par value \$1.00 per share (the "MCI WorldCom Series 3 PCS Stock" and, together with the MCI WorldCom Series 1 PCS Stock and the MCI WorldCom Series 2 PCS Stock, the "MCI WorldCom PCS Stock");
- (viii) Series 1 Preferred Stock, par value \$0.01 per share (the "MCI WorldCom Series 1 Preferred Stock");
- (ix) Series 5 Preferred Stock, par value \$0.01 per share (the "MCI WorldCom Series 5 Preferred Stock");



(x) Series 7 Preferred Stock, par value \$0.01 per share (the "*MCI WorldCom Series 7 Preferred Stock*"); and

(xi) Series 8 Junior Participating Preferred Stock, par value \$0.01 per share.

The foregoing series of capital stock, together with the series and classes of capital stock of MCI WorldCom authorized as of the date hereof, are hereby collectively referred to as "*MCI WorldCom Capital Stock*".

(b) At the Effective Time by virtue of the Merger and without any action on the part of the holder thereof (in each of the following cases other than such shares owned or held by MCI WorldCom or Sprint, which shall automatically be retired and shall cease to exist, and no consideration shall be delivered in exchange therefor, and other than Dissenting Shares):

(i) each share of Class A Common Stock, par value \$2.50 per share, of Sprint ("*Sprint Series FT Common Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive one share of MCI WorldCom Series FT Common Stock (the "*Series FT Merger Consideration*");

(ii) each share of Class A Common Stock, Series DT, par value \$2.50 per share, of Sprint ("*Sprint Series DT Common Stock*") and, together with the Sprint Series FT Common Stock, the "*Sprint Class A Common Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive one share of MCI WorldCom Series DT Common Stock (the "*Series DT Merger Consideration*");

(iii) each share of Series 1 FON Stock, par value \$2.00 per share, of Sprint ("*Sprint Series 1 FON Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive that number of shares of common stock, par value \$0.01 per share, of MCI WorldCom ("*MCI WorldCom Common Stock*") equal to the FON Exchange Ratio (the "*Series 1 FON Merger Consideration*");

(iv) each share of Series 3 FON Stock, par value \$2.00 per share, of Sprint ("*Sprint Series 3 FON Stock*") and, together with the Sprint Series 1 FON Stock and the Series 2 FON Stock, par value \$2.00 per share, of Sprint ("*Sprint Series 2 FON Stock*") (the "*Sprint FON Stock*"), issued and outstanding immediately prior to the Effective Time will be converted into the right to receive a number of shares of MCI WorldCom Series 3 Common Stock equal to the FON Exchange Ratio (the "*Series 3 FON Merger Consideration*");

(v) each share of Series 1 PCS Stock, par value \$1.00 per share, of Sprint ("*Sprint Series 1 PCS Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive (A) one share of MCI WorldCom Series 1 PCS Stock and (B) that number of shares of MCI WorldCom Common Stock equal to the PCS Exchange Ratio (collectively, the "*Series 1 PCS Merger Consideration*");

(vi) each share of Series 2 PCS Stock, par value \$1.00 per share, of Sprint ("*Sprint Series 2 PCS Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive (A) one share of MCI WorldCom Series 2 PCS Stock and (B) a number of shares of MCI WorldCom Series 2 Common Stock equal to the PCS Exchange Ratio (collectively, the "*Series 2 PCS Merger Consideration*");

(vii) each share of Series 3 PCS Stock, par value \$1.00 per share, of Sprint ("*Sprint Series 3 PCS Stock*") and, together with the Sprint Series 1 PCS Stock and the Sprint Series 2 PCS Stock, the "*Sprint PCS Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive (A) one share of MCI WorldCom Series 3 PCS Stock and (B) a number of shares of MCI WorldCom Series 3 Common Stock equal to the PCS Exchange Ratio (collectively, the "*Series 3 PCS Merger Consideration*" and, together with the Series 1 PCS Merger Consideration and the Series 2 PCS Merger Consideration, the "*PCS Stock Merger Consideration*");

(viii) each share of Preferred Stock-First Series, Convertible, without par value, of Sprint ("*Sprint First Series Preferred Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive one share of MCI WorldCom Series 1 Preferred Stock, (the "*First Series Preferred Merger Consideration*");

(ix) each share of Preferred Stock-Second Series, Convertible, without par value, of Sprint ("*Sprint Second Series Preferred Stock*") shall have been redeemed by Sprint prior to the Effective Time pursuant to Section 5.14;

(x) each share of Preferred Stock-Fifth Series, without par value, of Sprint ("*Sprint Fifth Series Preferred Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive one share of MCI WorldCom Series 5 Preferred Stock (the "*Fifth Series Preferred Merger Consideration*"); and

(xi) each share of Preferred Stock-Seventh Series, Convertible, without par value, of Sprint ("*Sprint Seventh Series Preferred Stock*") and, together with the Sprint First Series Preferred Stock, the Sprint Second Series Preferred Stock and the Sprint Fifth Series Preferred Stock, the "*Sprint Preferred Stock*") issued and outstanding immediately prior to the Effective Time will be converted into the right to receive one share of MCI WorldCom Series 7 Preferred Stock (the "*Seventh Series Preferred Merger Consideration*").

The Sprint Class A Common Stock, the Sprint FON Stock and the Sprint PCS Stock are referred to herein collectively as the "*Sprint Common Stock*". The Sprint Common Stock and the Sprint Preferred Stock are referred to herein collectively as the "*Sprint Capital Stock*". Shares of Sprint Capital Stock that are convertible by the holders thereof or by Sprint into a different class or series of Sprint Capital Stock pursuant to the terms of Sprint's articles of incorporation are referred to herein collectively as the "*Sprint Conversion Securities*".

The Series 1 FON Merger Consideration and the Series 3 FON Merger Consideration are referred to herein collectively as the "*FON Stock Merger Consideration*". The First Series Preferred Merger Consideration, the Fifth Series Preferred Merger Consideration and the Seventh Series Preferred Merger Consideration are referred to collectively herein as the "*Preferred Stock Merger Consideration*". The Series FT Merger Consideration, the Series DT Merger Consideration, the FON Stock Merger Consideration, the PCS Stock Merger Consideration and the Preferred Stock Merger Consideration are referred to herein collectively as the "*Merger Consideration*".

(c) As a result of the Merger and without any action on the part of the holders thereof, at the Effective Time, all shares of Sprint Capital Stock shall cease to be outstanding and shall be canceled and retired and shall cease to exist, and each holder of a certificate which immediately prior to the Effective Time represented any such shares of Sprint Capital Stock (a "*Certificate*") shall thereafter cease to have any rights with respect to such shares of Sprint Capital Stock, except the right to receive the applicable Merger Consideration and any cash in lieu of fractional shares of applicable MCI WorldCom Capital Stock to be issued in consideration therefor and any dividends or other distributions to which holders of Sprint Capital Stock become entitled all in accordance with Article II upon the surrender of such certificate.

(d) Each share of Sprint Capital Stock issued and owned or held by MCI WorldCom or Sprint at the Effective Time shall, by virtue of the Merger, cease to be outstanding and shall be canceled and retired and no stock of MCI WorldCom or other consideration shall be delivered in exchange therefor.

(e) (i) Notwithstanding anything in this Agreement to the contrary and unless provided for by applicable law, shares of Sprint Series FT Common Stock, Sprint Series DT Common Stock, Sprint Series 3 FON Stock, Sprint Series 2 PCS Stock, Sprint Series 3 PCS Stock, Sprint Fifth Series Preferred Stock and Sprint Seventh Series Preferred Stock that are issued and outstanding immediately prior to the Effective Time and that are owned by stockholders who have properly perfected their rights of appraisal within the meaning of Section 17-6712 of the KGCC (the "*Sprint Dissenting Shares*") shall not be converted into the right to receive the Series FT Merger

Consideration, the Series DT Merger Consideration, the Series 3 FON Merger Consideration, the Series 2 PCS Merger Consideration, the Series 3 PCS Merger Consideration, the Fifth Series Preferred Merger Consideration and the Seventh Series Preferred Merger Consideration, respectively, unless and until such stockholders shall have failed to perfect their right of payment under applicable law, but, instead, the holders thereof shall be entitled to payment of the appraised value of such Sprint Dissenting Shares in accordance with Section 17-6712 of the KGCC. If any such holder shall have failed to perfect or shall have effectively withdrawn or lost such right of appraisal, each share of Sprint Series FT Common Stock, Sprint Series DT Common Stock, Sprint Series 3 FON Stock, Sprint Series 2 PCS Stock, Sprint Series 3 PCS Stock, Sprint Fifth Series Preferred Stock and Sprint Seventh Series Preferred Stock held by such stockholder shall thereupon be deemed to have been converted into the right to receive and become exchangeable for, at the Effective Time, the Series FT Merger Consideration, the Series DT Merger Consideration, the Series 3 FON Merger Consideration, the Series 2 PCS Merger Consideration, the Series 3 PCS Merger Consideration, the Fifth Series Preferred Merger Consideration and the Seventh Series Preferred Merger Consideration, respectively, in the manner provided for in Section 1.8(b).

(ii) Sprint shall give MCI WorldCom (A) prompt notice of any objections filed pursuant to Section 17-6712 of the KGCC received by Sprint, withdrawals of such objections and any other instruments served in connection with such objections pursuant to the KGCC and received by Sprint and (B) the opportunity to direct all negotiations and proceedings with respect to objections under the KGCC consistent with the obligations of Sprint thereunder. Sprint shall not, except with the prior written consent of MCI WorldCom, (x) make any payment with respect to any such objection, (y) offer to settle or settle any such objection or (z) waive any failure to timely deliver a written objection in accordance with the KGCC.

(f) (i) Notwithstanding anything in this Agreement to the contrary and unless provided for by applicable law, holders of shares of MCI WorldCom Series B Preferred Stock that are issued and outstanding immediately prior to the Effective Time and that are owned by stockholders who have properly perfected their rights of appraisal within the meaning of Section 14-2-1301 *et seq.* of the GBCC (the "*MCI WorldCom Dissenting Shares*") shall be entitled to payment of the fair value of such MCI WorldCom Dissenting Shares determined in accordance with Section 14-2-1301 *et seq.* of the GBCC. If any such holder shall have failed to perfect or shall have effectively withdrawn or lost such right of appraisal, each share of MCI WorldCom Series B Preferred Stock held by such stockholder shall thereupon be deemed to remain issued and outstanding and unchanged as a validly issued, fully paid and nonassessable share of capital stock of the Surviving Corporation.

(ii) MCI WorldCom shall give Sprint (A) prompt notice of MCI WorldCom's receipt of any notice of intent to demand payment pursuant to Section 14-2-1301 *et seq.* of the GBCC, withdrawals of such notice and any other instruments served in connection with such notice pursuant to the GBCC and received by MCI WorldCom and (B) the opportunity to direct all negotiations and proceedings with respect to such notice under the GBCC consistent with the obligations of MCI WorldCom thereunder.

## ARTICLE II

### EXCHANGE OF CERTIFICATES

2.1 *Exchange Agent.* Prior to the Effective Time, MCI WorldCom shall appoint The Bank of New York or another commercial bank or trust company reasonably satisfactory to Sprint to act as exchange agent hereunder for the purpose of exchanging Certificates for the applicable Merger Consideration (the "*Exchange Agent*"). At or prior to the Effective Time, MCI WorldCom shall deposit with the Exchange Agent, in trust for the benefit of holders of shares of Sprint Capital Stock, certificates representing the applicable MCI WorldCom Capital Stock issuable pursuant to Section 1.8 in exchange for outstanding shares of Sprint Capital Stock in the Merger pursuant to Section 1.8. MCI WorldCom agrees to make available to the Exchange Agent from time to time as needed, cash sufficient to pay cash in lieu of fractional shares pursuant to Section 2.5 and any dividends and other distributions pursuant to Section 2.3.

**2.2 Exchange Procedures.** As soon as reasonably practicable after the Effective Time, the Surviving Corporation shall cause the Exchange Agent to mail to each holder of a Certificate (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 which letter shall be in such form and have such other provisions as MCI WorldCom may reasonably specify and (ii) instructions for effecting the surrender of such Certificates in exchange for the applicable Merger Consideration. Upon surrender of a Certificate to the Exchange Agent together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Exchange Agent, the holder of such Certificate, if it is a Certificate for Sprint Capital Stock shall be entitled to receive in exchange therefor (A) one or more shares of applicable MCI WorldCom Capital Stock representing, in the aggregate, the whole number of shares that such holder has the right to receive pursuant to Section 1.8, and (B) a check in the amount equal to the cash that such holder has the right to receive pursuant to the provisions of this Article II including cash in lieu of any fractional shares of applicable MCI WorldCom Capital Stock pursuant to Section 2.5 and any dividends or other distributions pursuant to Section 2.3, and in each case the Certificate so surrendered shall forthwith be canceled. No interest will be paid or will accrue on any cash payable pursuant to Section 2.3 or Section 2.5. In the event of a transfer of ownership of Sprint Capital Stock which is not registered in the transfer records of Sprint, one or more shares of applicable MCI WorldCom Capital Stock evidencing, in the aggregate, the proper number of shares of applicable MCI WorldCom Capital Stock and a check in the proper amount of cash in lieu of any fractional shares of applicable MCI WorldCom Capital Stock pursuant to Section 2.5 and any dividends or other distributions to which such holder is entitled pursuant to Section 2.3, may be issued with respect to such Sprint Capital Stock to such a transferee if the Certificate representing such shares of Sprint Capital Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

**2.3 Distributions with Respect to Unexchanged Shares.** No dividends or other distributions declared or made with respect to shares of MCI WorldCom Capital Stock with a record date after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of MCI WorldCom Capital Stock that such holder would be entitled to receive upon surrender of such Certificate and no cash payment in lieu of fractional shares of MCI WorldCom Capital Stock shall be paid to any such holder pursuant to Section 2.5 until such holder shall surrender such Certificate in accordance with Section 2.2. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid to such holder of shares of MCI WorldCom Capital Stock issuable in exchange therefor, without interest, (a) promptly after the time of such surrender, the amount of any cash payable in lieu of fractional shares of MCI WorldCom Capital Stock to which such holder is entitled pursuant to Section 2.5 and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of MCI WorldCom Capital Stock and (b) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to such surrender and a payment date subsequent to such surrender payable with respect to such shares of MCI WorldCom Capital Stock.

**2.4 No Further Ownership Rights in Sprint Capital Stock.** All shares of MCI WorldCom Capital Stock issued and cash paid upon conversion of shares of Sprint Capital Stock in accordance with the terms of Article I and this Article II (including any cash paid pursuant to Section 2.3 or 2.5) shall be deemed to have been issued or paid in full satisfaction of all rights pertaining to the shares of Sprint Capital Stock, subject, however, to the Surviving Corporation's obligation to pay any dividends or make any other distributions with a record date prior to the Effective Time which may have been declared or made by Sprint on such shares of Sprint Capital Stock which remain unpaid at the Effective Time, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Sprint Capital Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Exchange Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

**2.5 No Fractional Shares of MCI WorldCom Capital Stock.** (a) No certificates or scrip or shares of MCI WorldCom Capital Stock representing fractional shares of MCI WorldCom Capital Stock shall be issued upon the surrender for exchange of Certificates and such fractional share interests will not entitle the owner thereof to vote or to have any rights of a shareholder of MCI WorldCom or a holder of shares of MCI WorldCom Capital Stock.

(b) Notwithstanding any other provision of this Agreement, each holder of shares of Sprint Common Stock exchanged pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of applicable MCI WorldCom Capital Stock (after taking into account all Certificates delivered by such holder) shall receive, in lieu thereof, cash (without interest) in an amount equal to the product of (i) such fractional part of a share of applicable MCI WorldCom Capital Stock multiplied by (ii) the per share closing price of applicable MCI WorldCom Common Stock quoted on Nasdaq on the Closing Date. The fractional share interests of MCI WorldCom Capital Stock will be aggregated, and no recordholder of Sprint Capital Stock will receive cash in an amount equal to or greater than the value of one full share of MCI WorldCom Capital Stock determined as of the Effective Time.

**2.6 No Liability.** None of Sprint, MCI WorldCom, the Surviving Corporation or the Exchange Agent shall be liable to any Person in respect of any Merger Consideration, any dividends or distributions with respect thereto or any cash in lieu of fractional shares of applicable MCI WorldCom Capital Stock, in each case delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificate shall not have been surrendered prior to three years after the Effective Time (or immediately prior to such earlier date on which any Merger Consideration, any dividends or distributions payable to the holder of such Certificate or any cash payable in lieu of fractional shares of MCI WorldCom Capital Stock pursuant to this Article II, would otherwise escheat to or become the property of any Governmental Entity), any such Merger Consideration, dividends or distributions in respect thereof or such cash shall, to the extent permitted by applicable law, be delivered to MCI WorldCom, upon demand, and any holders of Sprint Capital Stock who have not theretofore complied with the provisions of this Article II shall thereafter look only to MCI WorldCom for satisfaction of their claims for such Merger Consideration, dividends or distributions in respect thereof or such cash.

**2.7 Lost Certificates.** If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such Person of a bond in such reasonable amount as the Surviving Corporation may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will deliver in exchange for such lost, stolen or destroyed Certificate the applicable Merger Consideration with respect to the shares of Sprint Capital Stock formerly represented thereby, any cash in lieu of fractional shares of MCI WorldCom Capital Stock, and unpaid dividends and distributions on shares of MCI WorldCom Capital Stock deliverable in respect thereof, pursuant to this Agreement.

**2.8 Withholding Rights.** The Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Sprint Capital Stock such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code and the rules and regulations promulgated thereunder, or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by the Surviving Corporation such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the shares of Sprint Capital Stock in respect of which such deduction and withholding was made by the Surviving Corporation.

**2.9 Stock Transfer Books.** At the close of business, New York City time, on the day the Effective Time occurs, the stock transfer books of Sprint shall be closed and there shall be no further registration of transfers of shares of Sprint Capital Stock thereafter on the records of Sprint. From and after the Effective Time, the holders of Certificates shall cease to have any rights with respect to such shares of Sprint Capital Stock formerly represented thereby, except as otherwise provided herein or by law. On or after the Effective Time,

any Certificates presented to the Exchange Agent or MCI WorldCom for any reason shall be converted into the Merger Consideration with respect to the shares of Sprint Capital Stock formerly represented thereby, any cash in lieu of fractional shares of MCI WorldCom Capital Stock to which the holders thereof are entitled pursuant to Section 2.5 and any dividends or other distributions to which the holders thereof are entitled pursuant to Section 2.3.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

3.1 *Representations and Warranties of Sprint.* Except as disclosed in the Sprint SEC Reports filed and publicly available prior to the date of this Agreement (the "*Sprint Filed SEC Reports*") or as set forth in the Sprint Disclosure Schedule delivered by Sprint to MCI WorldCom prior to the execution of this Agreement (the "*Sprint Disclosure Schedule*"), Sprint represents and warrants to MCI WorldCom as follows:

(a) *Organization, Standing and Power.* Each of Sprint and its Significant Subsidiaries is a corporation or other legal entity duly organized or formed, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite corporate, partnership or similar power and authority to own, lease and operate its properties and to carry on its business as now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary other than in such jurisdictions where the failure so to qualify or to be in good standing is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. The copies of the articles of incorporation and by-laws of Sprint which were previously furnished to MCI WorldCom are true, complete and correct copies of such documents as in effect on the date of this Agreement.

(b) *Capital Structure.* (i) As of September 30, 1999, the authorized capital stock of Sprint consisted of (A) 100,000,000 shares of Sprint Series FT Common Stock, of which 43,118,018 shares were outstanding, (B) 100,000,000 shares of Sprint Series DT Common Stock, of which 43,118,018 shares were outstanding, (C) 2,500,000,000 shares of Sprint Series 1 FON Stock, of which 696,949,268 shares were outstanding, (D) 500,000,000 shares of Sprint Series 2 FON Stock, of which no shares were outstanding, (E) 1,200,000,000 shares of Sprint Series 3 FON Stock, of which 88,111,036 shares were outstanding, (F) 1,250,000,000 shares of Sprint Series 1 PCS Stock, of which 198,422,792 shares were outstanding, (G) 500,000,000 shares of Sprint Series 2 PCS Stock, of which 219,393,844 shares were outstanding, (H) 600,000,000 shares of Sprint Series 3 PCS Stock, of which 13,089,418 shares were outstanding, and (I) 20,000,000 shares of Preferred Stock, without par value, of which (I) 1,742,853 shares have been designated as Sprint First Series Preferred Stock, of which 36,150 shares were outstanding, (II) 8,758,472 shares have been designated as Sprint Second Series Preferred Stock, of which 219,045 shares were outstanding, (III) 95 shares have been designated as Sprint Fifth Series Preferred Stock, of which 95 shares were outstanding, (IV) 1,500,000 shares of Preferred Stock-Sixth Series, Junior Participating, without par value, have been designated and reserved for issuance upon exercise of the rights (the "*Sprint Rights*") distributed to holders of Sprint FON Stock and Sprint Class A Common Stock pursuant to the Rights Agreement dated as of November 23, 1998, between Sprint and UMB Bank, N.A., as rights agent (the "*Sprint Rights Agreement*"), (V) 1,250,000 shares of Preferred Stock-Eighth Series, Junior Participating, without par value, have been designated and reserved for issuance upon exercise of the Sprint Rights distributed to holders of Sprint PCS Stock and Sprint Class A Common Stock pursuant to the Sprint Rights Agreement and (VI) 300,000 shares have been designated as Sprint Seventh Series Preferred Stock, of which 246,766 shares were outstanding. As of September 30, 1999, 2,409,990 shares of Sprint Series 1 FON Stock and 67,927 shares of Sprint Series 1 PCS Stock were held by Sprint in its treasury. Since September 30, 1999 to the date of this Agreement, there have been no issuances of shares of the capital stock of Sprint or any other securities of Sprint other than issuances of shares (and accompanying Sprint Rights) pursuant to options or rights outstanding as of September 30, 1999 under the Benefit Plans of Sprint or pursuant to the conversion of the Sprint Conversion Securities. All issued and outstanding shares of the capital stock of Sprint are duly authorized, validly issued, fully paid and nonassessable, and no class of capital stock is entitled to preemptive

rights. There were outstanding as of September 30, 1999 no options, warrants or other rights to acquire capital stock from Sprint other than (v) shares of Sprint Capital Stock issuable upon conversion of the Sprint Conversion Securities, (w) 12,452,831 shares of Sprint Series 2 PCS Stock reserved for future issuance upon the exercise of warrants ("Warrants") issued pursuant to the terms of the Warrant Agreements, each dated as of November 23, 1998 between Sprint, on the one hand, and Cox Teleport Partners, Inc., Cox Communications, Inc., Comcast Telephony Services Holdings, Inc., TCI Wireless Holdings, Inc. and TCI Spectrum Investment, Inc., on the other hand, (x) the Sprint Rights, (y) options representing in the aggregate the right to purchase 54,628,805 shares of Sprint FON Stock and 21,525,703 shares of Sprint PCS Stock under Sprint's 1985 Stock Option Plan, Sprint's 1990 Stock Option Plan, Sprint's Management Incentive Stock Option Plan, Sprint's 1997 Long-Term Stock Incentive Program, Sprint's Long-Term Incentive Compensation Plan, the Amended and Restated Centel Director Stock Option Plan and the Amended and Restated Centel Stock Option Plan (collectively with Sprint's 1990 Restricted Stock Plan, the "*Sprint Stock Option Plans*"), and (z) rights to purchase shares of Sprint Common Stock under Sprint's Employees Stock Purchase Plan. Sprint has delivered to MCI WorldCom a complete and correct list, as of September 30, 1999, of the number of shares of Sprint Common Stock subject to outstanding stock option or other rights to purchase or receive Sprint Common Stock granted under (i) the Sprint Stock Option Plans (collectively, "*Sprint Stock Options*") and (ii) the Warrants and the exercise prices thereof. No options or warrants or other rights to acquire capital stock from Sprint have been issued or granted since September 30, 1999 to the date of this Agreement.

(ii) As of the date of this Agreement, no bonds, debentures, notes or other indebtedness of Sprint having the right to vote on any matters on which stockholders may vote ("*Sprint Voting Debt*") are issued or outstanding.

(iii) Except as otherwise set forth in this Section 3.1(b) and as contemplated by Section 5.6, as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Sprint or any of its Subsidiaries is a party or by which any of them is bound obligating Sprint or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of Sprint or any of its Subsidiaries or obligating Sprint or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. As of the date of this Agreement, there are no outstanding obligations of Sprint or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Sprint or any of its Subsidiaries.

(iv) Exhibit 21 to Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "*Sprint 1998 10-K*"), sets forth each Significant Subsidiary of Sprint as of the date hereof. As of the date hereof, all the outstanding shares of capital stock of, or other equity interests in, each Significant Subsidiary of Sprint have been validly issued and are fully paid and nonassessable and are owned directly or indirectly by Sprint, free and clear of all pledges, claims, liens, charges, encumbrances and security interests of any kind or nature whatsoever (collectively, "*Liens*") and free of any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests. Except for the capital stock or other ownership interests of its Subsidiaries, as of the date hereof, Sprint does not beneficially own directly or indirectly any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any Person which constitutes a Material Investment.

(c) **Authority; No Conflicts.** (i) Sprint has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, subject in the case of the consummation of the Merger to the adoption of this Agreement by the Required Sprint Vote. 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 Sprint, subject to the adoption of this Agreement by the Required Sprint Vote. This Agreement has been duly executed and delivered by Sprint and constitutes a valid and binding agreement of Sprint, enforceable against it in accordance with its terms.

(ii) The execution and delivery of this Agreement do not or will not, as the case may be, and the consummation of the Merger and the other transactions contemplated hereby will not, subject to the adoption of this Agreement by the Required Sprint Vote, conflict with, or result in any violation of, or constitute a default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, amendment, cancelation or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest, charge or other encumbrance on any assets (any such conflict, violation, default, right of termination, amendment, cancelation or acceleration, loss or creation, a "Violation") pursuant to: (A) any provision of the articles of incorporation or by-laws of Sprint or the governing documents of any Subsidiary of Sprint, or (B) except as is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint and subject to obtaining or making the consents, approvals, orders, authorizations, registrations, declarations and filings referred to in paragraph (iii) below, any loan or credit agreement, note, mortgage, bond, indenture, lease, benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Sprint or any Subsidiary of Sprint or their respective properties or assets.

(iii) No consent, approval, order or authorization of, or registration, declaration or filing with, any supranational, national, state, municipal or local government, any instrumentality, subdivision, court, administrative agency or commission or other authority thereof, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority, including the European Union (a "Governmental Entity"), is required by or with respect to Sprint or any Subsidiary of Sprint in connection with the execution and delivery of this Agreement by Sprint or the consummation of the Merger and the other transactions contemplated hereby, except for those required under or in relation to (A) the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act"), and Council Regulation (EEC) No. 4064/89 ("Regulation 4064/89"), (B) the Communications Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Communications Act"), and any other rules, regulations, practices and policies promulgated by the Federal Communications Commission ("FCC"), (C) state securities or "blue sky" laws (the "Blue Sky Laws"), (D) the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act"), (E) the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"), (F) the KGCC with respect to the filing of the Kansas Certificate of Merger and the GBCC with respect to the filing of the Georgia Certificate of Merger, (G) laws, rules, regulations, practices and orders of any state public service commissions ("PUCs"), foreign telecommunications regulatory agencies or similar state or foreign regulatory bodies, (H) rules and regulations of the New York Stock Exchange, Inc. ("NYSE"), (I) antitrust or other competition laws of other jurisdictions, and (J) such consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to make or obtain is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. Consents, approvals, orders, authorizations, registrations, declarations and filings required under or in relation to any of the foregoing clauses (A) through (G) and clause (I) are hereinafter referred to as "Required Consents".

(d) *Reports and Financial Statements.* Sprint has filed all reports, schedules, forms, statements and other documents required to be filed by it with the Securities and Exchange Commission (the "SEC") since January 1, 1998 (collectively, including all exhibits thereto, the "Sprint SEC Reports"). No Significant Subsidiary of Sprint is required to file any form, report or other document with the SEC. None of the Sprint SEC Reports when filed contained any untrue statement of a material fact or omitted 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 financial statements (including the related notes) included in the Sprint SEC Reports presents fairly, in all material respects, the consolidated financial position and consolidated results of operations and cash flows of Sprint and its Subsidiaries as of the respective dates or for the respective periods set forth therein, all in conformity with United States generally accepted accounting principles ("U.S. GAAP") consistently applied during the periods involved except as otherwise noted therein, and subject, in the case of the unaudited interim financial statements, to normal and recurring year-end adjustments. All of such Sprint SEC Reports, as of their respective dates (and as of the date of any amendment to the respective Sprint SEC



Report), complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act.

(e) *Information Supplied.* (i) None of the information supplied or to be supplied by Sprint for inclusion or incorporation by reference in (A) the Form S-4 to be filed with the SEC by MCI WorldCom in connection with the issuance of the MCI WorldCom Capital Stock in the Merger will, at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and (B) the Joint Proxy Statement/Prospectus included in the Form S-4 related to the Sprint Stockholders Meeting and the MCI WorldCom Shareholders Meeting and the MCI WorldCom Capital Stock to be issued in the Merger will, on the date it is first mailed to Sprint stockholders or MCI WorldCom shareholders or at the time of the Sprint Stockholders Meeting or the MCI WorldCom Shareholders Meeting, contain any untrue statement of a material fact or 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. The Joint Proxy Statement/Prospectus will comply as to form in all material respects with the requirements of the Exchange Act.

(ii) Notwithstanding the foregoing provisions of this Section 3.1(e), no representation or warranty is made by Sprint with respect to statements made or incorporated by reference in the Form S-4 or the Joint Proxy Statement/Prospectus based on information supplied by MCI WorldCom for inclusion or incorporation by reference therein.

(f) *Litigation.* There is no suit, action, proceeding, claim or investigation pending or, to the Knowledge of Sprint, threatened against or affecting Sprint or any of its Subsidiaries that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Sprint or any of its Subsidiaries having, or that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(g) *Compliance with Applicable Laws.* Sprint and its Subsidiaries hold all permits, licenses, variances, exemptions, orders, registrations and approvals of all Governmental Entities which are required for the operation of the business of Sprint and its Subsidiaries taken as a whole (the "*Sprint Permits*"), except where the failure to have any such Sprint Permits is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. Sprint and its Subsidiaries are in compliance with the terms of the Sprint Permits and all applicable statutes, laws, ordinances, rules and regulations, except where the failure so to comply is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. Subject to obtaining the Required Consents, the Merger, in and of itself, would not cause the revocation or cancellation of any Sprint Permit that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(h) *State Takeover Statutes; Approvals.* Each of the Board of Directors of Sprint (including the disinterested directors thereof) and the Capital Stock Committee of such Board of Directors has approved and recommended the terms of this Agreement and the consummation of the Merger and the other transactions contemplated by this Agreement and such approval of the Board of Directors of Sprint constitutes approval of the Merger and the other transactions contemplated by this Agreement by the Board of Directors of Sprint to the extent applicable under the provisions of Section 17-1286 *et seq.* and Section 17-12,100 *et seq.* of the KGCC and Article Seventh of Sprint's articles of incorporation and represents all the action necessary to ensure that Section 17-1286 *et seq.* and Section 17-12,100 *et seq.* of the KGCC and Article Seventh of Sprint's articles of incorporation do not apply to MCI WorldCom in connection with the Merger and the other transactions contemplated by this Agreement. No other Kansas or Georgia state takeover statute is applicable to Sprint in connection with this Agreement, the Merger or the other transactions contemplated hereby. Other than those that have been made prior to the date hereof, no approval or determination of the Board of Directors of Sprint or any committee thereof is required with respect to any class or series of Sprint Capital Stock or under Sprint's

articles of incorporation, by-laws or governance policies to approve this Agreement or any of the transactions contemplated hereby.

(i) *Intellectual Property; Year 2000.* (i) Sprint and its Subsidiaries own, or are validly licensed or otherwise have the right to use, all patents, patent rights, trademarks, trade secrets, trade names, service marks, copyrights and other proprietary intellectual property rights and computer programs (the "*Intellectual Property Rights*") used in the business of Sprint and its Subsidiaries, except for such Intellectual Property Rights the failure of which to own, license or otherwise have the right to use is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(ii) To the Knowledge of Sprint, neither Sprint nor any of its Subsidiaries has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights or other proprietary information of any other Person, except for any such interference, infringement, misappropriation or other conflict which is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. To the Knowledge of Sprint, neither Sprint nor any of its Subsidiaries has received any written charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation or other conflict (including any claim that Sprint or any such Subsidiary must license or refrain from using any Intellectual Property Rights or other proprietary information of any other Person) which has not been settled or otherwise fully resolved, except with respect to any such interference, infringement, misappropriation or other conflict which is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. To the Knowledge of Sprint, no other Person has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of Sprint or any of its Subsidiaries, except for any such interference, infringement, misappropriation or other conflict which is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(iii) As of the date of this Agreement, Sprint and its Subsidiaries have undertaken a concerted effort to ensure that all of the computer software, computer firmware, computer hardware, and other similar or related items of automated, computerized, and/or software system(s) that are to be used or relied on by Sprint or any of its Subsidiaries in the conduct of their respective businesses will not malfunction, will not cease to function, will not generate incorrect data, and will not provide incorrect results when processing, providing and/or receiving (i) date-related data into and between the years 1999 and 2000 and (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries. As of the date of this Agreement, Sprint reasonably believes that such effort will be successful.

(j) *Absence of Certain Changes or Events.* Except for liabilities incurred in connection with this Agreement or the transactions contemplated hereby, since June 30, 1999, Sprint and its Subsidiaries have conducted their business only in the ordinary course, and there has not been (i) any Material Adverse Change in Sprint, (ii) any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of Sprint's capital stock, other than regular quarterly cash dividends of \$0.125 per share of Sprint FON Stock and a corresponding cash dividend on the Class A Common Stock and dividends payable on Sprint Preferred Stock in accordance with their terms as of the date of this Agreement, (iii) any split, combination or reclassification of any of Sprint's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of Sprint's capital stock, (iv) (A) any granting by Sprint or any of its Subsidiaries to any current or former director, executive officer or other key employee of Sprint or its Subsidiaries of any increase in compensation, bonus or other benefits, except for normal increases in the ordinary course of business consistent with past practice or as was required under any employment agreements in effect as of the date of the most recent audited financial statements included in the Sprint Filed SEC Reports, (B) any granting by Sprint or any of its Subsidiaries to any such current or former director, executive officer or key employee of any increase in severance or termination pay or (C) any entry by Sprint or any of its Subsidiaries into, or any amendment of, any employment, deferred compensation, consulting, severance, termination or indemnification agreement with any such current or former director, executive officer or key employee, other than in the ordinary course of business consistent with past practice, (v) except insofar as may be required by a change in U.S. GAAP, any

change in accounting methods, principles or practices by Sprint materially affecting its consolidated financial position or consolidated results of operations or (vi) except insofar as MCI WorldCom has given its consent, which consent shall not be unreasonably withheld or delayed, any tax election (or settlement or compromise of any material income tax liability) that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(k) *Vote Required.* The affirmative vote of the holders of shares representing a majority of the total voting power of Sprint Common Stock and Sprint Preferred Stock entitled to vote at the Sprint Stockholders Meeting to adopt this Agreement voting together as a single class (the "*Required Sprint Vote*") is the only vote or approval of the holders of any class or series of capital stock of Sprint necessary to adopt this Agreement and to approve the transactions contemplated hereby.

(l) *Sprint Rights Agreement.* No amendment to the Sprint Rights Agreement is required to be made by Sprint in connection with the approval, execution or delivery of this Agreement or the consummation of the transactions contemplated hereby.

(m) *Brokers or Finders.* No agent, broker, investment banker, financial advisor or other firm or Person on behalf of Sprint is or will be entitled to any broker's or finder's fee or any other similar commission or fee in connection with any of the transactions contemplated by this Agreement, except Warburg Dillon Read LLC, whose fees and expenses will be paid by Sprint in accordance with Sprint's agreement with such firm, based upon arrangements made by or on behalf of Sprint and previously disclosed to MCI WorldCom.

(n) *Opinion of Financial Advisor.* Sprint has received the opinion of Warburg Dillon Read LLC, dated the date of this Agreement, to the effect that, as of such date, (i) the FON Exchange Ratio is fair, from a financial point of view, to the holders of each series of Sprint FON Stock, (ii) the PCS Stock Merger Consideration is fair, from a financial point of view, to the holders of each series of Sprint PCS Stock, (iii) the Series DT Merger Consideration is fair, from a financial point of view, to holders of the Sprint Series DT Common Stock, (iv) the Series FT Merger Consideration is fair, from a financial point of view, to holders of the Sprint Series FT Common Stock and (v) the Merger Consideration applicable to the Sprint Common Stock is fair, from a financial point of view, to the holders of Sprint Common Stock taken as a whole, a copy of which opinion will promptly be made available to MCI WorldCom.

(o) *Absence of Changes in Sprint's Benefit Plans.* Except as expressly permitted by this Agreement, since the date of the most recent audited financial statements included in the Sprint Filed SEC Reports, there has not been any adoption or amendment in any material respect by Sprint or any of its Subsidiaries of any of Sprint's Benefit Plans, or any material change in any actuarial or other assumption used to calculate funding obligations with respect to any Sprint pension plans, or any material change in the manner in which contributions to any Sprint pension plans are made or the basis on which such contributions are determined other than a change required under the terms of such plans as in effect on the date hereof or as required by applicable law.

(p) *ERISA Compliance; No Parachute Payments.* (i) With respect to Sprint's Benefit Plans, no liability has been incurred and to the Knowledge of Sprint there exists no condition or circumstances in connection with which Sprint or any of its Subsidiaries could be subject to any liability that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint, in each case under the Employee Retirement Income Security Act of 1974, as amended ("*ERISA*"), the Code or any other applicable law.

(ii) Each of Sprint's Benefit Plans has been administered in accordance with its terms, except for any failures so to administer any such Benefit Plan that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. Sprint, its Subsidiaries and all Sprint's Benefit Plans are in compliance with the applicable provisions of ERISA, the Code and all other applicable laws and the terms of all applicable collective bargaining agreements, except for any failures to be in such compliance that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(iii) None of Sprint or any of its Subsidiaries sponsors or contributes to any of Sprint's Benefit Plans that is subject to Title IV of ERISA.

(iv) Sprint and its Subsidiaries are in compliance with all Federal, state, local and foreign requirements regarding employment, except for any failures to comply that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. As of the date of this Agreement, there is no labor dispute, strike or work stoppage against Sprint or any of its Subsidiaries pending or, to the Knowledge of Sprint, threatened which may interfere with the respective business activities of Sprint or any of its Subsidiaries, except where such dispute, strike or work stoppage is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint. As of the date of this Agreement, to the Knowledge of Sprint, none of Sprint, any of its Subsidiaries or any of their respective representatives or employees has committed any unfair labor practice in connection with the operation of the respective businesses of Sprint or any of its Subsidiaries, and there is no action, charge or complaint against Sprint or any of its Subsidiaries by the National Labor Relations Board or any comparable Governmental Entity pending or threatened in writing, in each case except where such practices, actions, charges or complaints are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(v) No employee of Sprint or its Subsidiaries will be entitled to any additional benefits or any acceleration of the time of payment or vesting of any benefits under any of Sprint's Benefit Plans as a result of the transactions contemplated by this Agreement. No amount payable, or economic benefit provided, by Sprint or its Subsidiaries (including any acceleration of the time of payment or vesting of any benefit) could be considered an "excess parachute payment" under Section 280G of the Code. No Person is entitled to receive any additional payment from Sprint or its Subsidiaries or any other Person in the event that the excise tax of Section 4999 of the Code is imposed on such Person.

(q) *Taxes.* (i) (A) Each of Sprint and its Subsidiaries and each Sprint Consolidated Group has timely filed or has caused to be timely filed all material tax returns and reports required to be filed by it or requests for extensions to file such returns or reports have been timely filed, granted and have not expired, (B) all tax returns and reports filed by Sprint and each of its Subsidiaries and each Sprint Consolidated Group are complete and accurate in all respects and (C) Sprint and each of its Subsidiaries and each Sprint Consolidated Group has paid (or Sprint or another member of such Sprint Consolidated Group has paid on its behalf) all taxes shown as due on such returns and reports, and the reserve for current taxes shown on the most recent financial statements contained in the Sprint Filed SEC Reports (in addition to any reserve for deferred taxes established to reflect timing differences between book and tax income) is adequate to cover all taxes payable by Sprint and its Subsidiaries and each Sprint Consolidated Group for all taxable periods and portions thereof through the date of such financial statements, except for any such failure to file, incompleteness or inaccuracy, failure to pay, or inadequacy of such reserve, that is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint.

(ii) No deficiencies for any taxes have been proposed, asserted or assessed in writing against Sprint or any of its Subsidiaries or any Sprint Consolidated Group that are not adequately reserved for, except for deficiencies that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on Sprint, and no requests for waivers of the time to assess any such taxes have been granted or are pending (other than with respect to years that are currently under examination by the Internal Revenue Service or other applicable taxing authorities). The statute of limitations on assessment or collection of any Federal taxes due from Sprint and its Subsidiaries has expired for all taxable years of Sprint and each of its Subsidiaries through 1985. The Federal income tax returns of Sprint and each of its Subsidiaries have been examined by and settled with the Internal Revenue Service for all years through 1987.

(iii) Neither Sprint nor any of its Subsidiaries has taken or has agreed to take any action or has any Knowledge of any fact, agreement, plan or other circumstance that is reasonably likely to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

(iv) Neither Sprint nor any of its Subsidiaries has constituted either a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (A) in the two years prior to the date of this Agreement or (B) in a distribution which could otherwise constitute part of a "plan" or series of "related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.

(v) Sprint does not believe that it is a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code, although it has not determined or established whether it will be a United States real property holding corporation in the future.

(vi) Sprint has "nexus" for state tax law purposes in Kansas and Pennsylvania.

(vii) As used in this Agreement, "taxes" shall include all (A) Federal, state, local or foreign income tax, property, sales, excise or other taxes or similar governmental charges, including any interest, penalties or additions with respect thereto, (B) liability for the payment of the amounts described in clause (A) as a result of being a member of an affiliated, consolidated, combined or unitary group, and (C) liability for the payment of any amounts as a result of being a party to any tax sharing agreement or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts of the type described in clause (A) or (B).

(viii) As used in this Agreement, "*Sprint Consolidated Group*" means any affiliated group within the meaning of Section 1504(a) of the Code, in which Sprint (or any Subsidiary of Sprint) is or has ever been a member or any group of corporations with which Sprint files, has filed or is or was required to file an affiliated, consolidated, combined, unitary or aggregate tax return.

**3.2 Representations and Warranties of MCI WorldCom.** Except as disclosed in the MCI WorldCom SEC Reports filed and publicly available prior to the date of this Agreement (the "*MCI WorldCom Filed SEC Reports*") or as set forth in the MCI WorldCom Disclosure Schedule delivered by MCI WorldCom to Sprint prior to the execution of this Agreement (the "*MCI WorldCom Disclosure Schedule*"), MCI WorldCom represents and warrants to Sprint as follows:

(a) *Organization, Standing and Power.* Each of MCI WorldCom and its Significant Subsidiaries is a corporation or other legal entity duly organized or formed, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite corporate, partnership or similar power and authority to own, lease and operate its properties and to carry on its business as now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary other than in such jurisdictions where the failure so to qualify or to be in good standing is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. The copies of the articles of incorporation and by-laws of MCI WorldCom which were previously furnished to Sprint are true, complete and correct copies of such documents as in effect on the date of this Agreement.

(b) *Capital Structure.* (i) As of September 30, 1999, the authorized capital stock of MCI WorldCom consisted of (A) 5,000,000,000 shares of MCI WorldCom Common Stock of which 1,880,219,054 shares were outstanding and (B) 50,000,000 shares of Preferred Stock, par value \$0.01 per share, of which (1) 94,992 shares have been designated as Series A 8% Cumulative Convertible Preferred Stock, of which no shares were outstanding, (2) 15,000,000 shares have been designated Series B Convertible Preferred Stock ("*MCI WorldCom Series B Preferred Stock*"), of which 11,190,244 shares were outstanding, (3) 3,750,000 shares have been designated Series C \$2.25 Cumulative Convertible Exchangeable Preferred Stock ("*MCI WorldCom Series C Preferred Stock*"), of which no shares were outstanding, and (4) 5,000,000 shares have been designated Series 3 Junior Participating Preferred Stock and reserved for issuance upon exercise of the rights (the "*MCI WorldCom Rights*") distributed to holders of MCI WorldCom Common Stock pursuant to the Rights

Agreement dated as of August 25, 1996, as amended, between MCI WorldCom and The Bank of New York, as rights agent (the "*MCI WorldCom Rights Agreement*"). As of September 30, 1999, 4,510,211 shares of MCI WorldCom Common Stock were held by MCI WorldCom in its treasury. Since September 30, 1999 to the date of this Agreement, there have been no issuances of shares of the capital stock of MCI WorldCom or any other securities of MCI WorldCom other than issuances of shares (and accompanying MCI WorldCom Rights) pursuant to options or rights outstanding as of September 30, 1999 under the Benefit Plans of MCI WorldCom or pursuant to MCI WorldCom's acquisition of SkyTel Communications, Inc. All issued and outstanding shares of the capital stock of MCI WorldCom are duly authorized, validly issued, fully paid and nonassessable, and no class of capital stock is entitled to preemptive rights. There were outstanding as of September 30, 1999 no options, warrants or other rights to acquire capital stock from MCI WorldCom other than pursuant to MCI WorldCom's pending acquisitions as of such date. MCI WorldCom's Benefit Plans and MCI WorldCom's convertible preferred stock. No options or warrants or other rights to acquire capital stock from MCI WorldCom have been issued or granted since September 30, 1999 to the date of this Agreement other than pursuant to MCI WorldCom's acquisition of SkyTel Communications, Inc. or pursuant to MCI WorldCom's Benefit Plans. The shares of MCI WorldCom Capital Stock to be issued pursuant to this Agreement, when issued in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, and no Person will have any preemptive right, subscription right or other purchase right in respect thereof other than pursuant to agreements with Sprint or any of its Subsidiaries as in effect on the date hereof.

(ii) As of the date of this Agreement, no bonds, debentures, notes or other indebtedness of MCI WorldCom having the right to vote on any matters on which shareholders may vote ("*MCI WorldCom Voting Debt*") are issued or outstanding.

(iii) Except as otherwise set forth in this Section 3.2(b), as of the date of this Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which MCI WorldCom or any of its Subsidiaries is a party or by which any of them is bound obligating MCI WorldCom or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of MCI WorldCom or any of its Subsidiaries or obligating MCI WorldCom or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. As of the date of this Agreement, there are no outstanding obligations of MCI WorldCom or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of MCI WorldCom or any of its Subsidiaries.

(iv) Exhibit 21 to MCI WorldCom's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "*MCI WorldCom 1998 10-K*"), sets forth each Significant Subsidiary of MCI WorldCom as of the date hereof. As of the date hereof, all the outstanding shares of capital stock of, or other equity interests in, each Significant Subsidiary of MCI WorldCom have been validly issued and are fully paid and nonassessable and are owned directly or indirectly by MCI WorldCom, free and clear of all Liens and free of any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests. Except for the capital stock or other ownership interests of its Subsidiaries, as of the date hereof, MCI WorldCom does not beneficially own directly or indirectly any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any Person which constitutes a Material Investment.

(c) *Authority; No Conflicts.* (i) MCI WorldCom has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, subject in the case of the approval of this Agreement and the MCI WorldCom Stock Issuance to obtaining the Required MCI WorldCom Vote. 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 MCI WorldCom, subject to the approval of this Agreement and the MCI WorldCom Stock Issuance by the Required MCI WorldCom Vote. This Agreement has been duly executed and delivered by MCI WorldCom and constitutes a valid and binding agreement of MCI WorldCom, enforceable against it in accordance with its terms.

(ii) The execution and delivery of this Agreement do not or will not, as the case may be, and the consummation of the Merger and the other transactions contemplated hereby will not, subject to the approval of this Agreement and the MCI WorldCom Stock Issuance by the Required MCI WorldCom Vote, conflict with, or result in, a Violation pursuant to: (A) any provision of the articles of incorporation or by-laws of MCI WorldCom or the governing documents of any Subsidiary of MCI WorldCom, or (B) except as is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom and subject to obtaining or making the consents, approvals, orders, authorizations, registrations, declarations and filings referred to in paragraph (iii) below, any loan or credit agreement, note, mortgage, bond, indenture, lease, benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to MCI WorldCom or any Subsidiary of MCI WorldCom or their respective properties or assets.

(iii) No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to MCI WorldCom or any Subsidiary of MCI WorldCom in connection with the execution and delivery of this Agreement by MCI WorldCom or the consummation of the Merger and the other transactions contemplated hereby, except for (A) those required under or in relation to the rules and regulations of Nasdaq, (B) the Required Consents and (C) such consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to make or obtain is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(d) *Reports and Financial Statements.* MCI WorldCom has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC since January 1, 1998 (collectively, including all exhibits thereto, the "MCI WorldCom SEC Reports"). No Significant Subsidiary of MCI WorldCom is required to file any form, report or other document with the SEC. None of the MCI WorldCom SEC Reports when filed contained any untrue statement of a material fact or omitted 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 financial statements (including the related notes) included in the MCI WorldCom SEC Reports presents fairly, in all material respects, the consolidated financial position and consolidated results of operations and cash flows of MCI WorldCom and its Subsidiaries as of the respective dates or for the respective periods set forth therein, all in conformity with U.S. GAAP consistently applied during the periods involved except as otherwise noted therein, and subject, in the case of the unaudited interim financial statements, to normal and recurring year-end adjustments. All of such MCI WorldCom SEC Reports, as of their respective dates (and as of the date of any amendment to the respective MCI WorldCom SEC Report), complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act.

(e) *Information Supplied.* (i) None of the information supplied or to be supplied by MCI WorldCom for inclusion or incorporation by reference in (A) the Form S-4 will, at the time the Form S-4 becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) the Joint Proxy Statement/Prospectus will, on the date it is first mailed to Sprint stockholders or MCI WorldCom shareholders or at the time of the Sprint Stockholders Meeting or the MCI WorldCom Shareholders Meeting, contain any untrue statement of a material fact or 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. The Form S-4 and the Joint Proxy Statement/Prospectus will comply as to form in all material respects with the requirements of the Securities Act and the Exchange Act.

(ii) Notwithstanding the foregoing provisions of this Section 3.2(e), no representation or warranty is made by MCI WorldCom with respect to statements made or incorporated by reference in the Form S-4 or the Joint Proxy Statement/Prospectus based on information supplied by Sprint for inclusion or incorporation by reference therein.

(f) *Litigation.* There is no suit, action, proceeding, claim or investigation pending or, to the Knowledge of MCI WorldCom, threatened against or affecting MCI WorldCom or any of its Subsidiaries that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against MCI WorldCom or any of its Subsidiaries having, or that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(g) *Compliance with Applicable Laws.* MCI WorldCom and its Subsidiaries hold all permits, licenses, variances, exemptions, orders, registrations and approvals of all Governmental Entities which are required for the operation of the business of MCI WorldCom and its Subsidiaries taken as a whole (the "MCI WorldCom Permits"), except where the failure to have any such MCI WorldCom Permits is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. MCI WorldCom and its Subsidiaries are in compliance with the terms of the MCI WorldCom Permits and all applicable statutes, laws, ordinances, rules and regulations, except where the failure so to comply is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. Subject to obtaining the Required Consents, the Merger, in and of itself, would not cause the revocation or cancelation of any MCI WorldCom Permit that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(h) *State Takeover Statutes; Approvals.* The Board of Directors of MCI WorldCom has approved and recommended the terms of this Agreement and the consummation of the Merger and the other transactions contemplated hereby (including the amendments to MCI WorldCom's articles of incorporation contemplated hereby) and such approval of the Board of Directors of MCI WorldCom constitutes approval of the Merger and the other transactions contemplated hereby (including the amendments to MCI WorldCom's articles of incorporation contemplated hereby) by the Board of Directors of MCI WorldCom to the extent applicable under Article Eleven of MCI WorldCom's articles of incorporation and represents all the action necessary to ensure that Article Eleven of MCI WorldCom's articles of incorporation does not apply to Sprint in connection with the Merger and the other transactions contemplated hereby. No Georgia or Kansas state takeover statute (including Section 14-2-1110 *et seq.* and Section 14-2-1131 *et seq.* of the GBCC) is applicable to MCI WorldCom in connection with this Agreement, the Merger or the other transactions contemplated by this Agreement. Other than those that have been made prior to the date hereof, no approval or determination of the Board of Directors of MCI WorldCom or any committee thereof is required with respect to any class or series of MCI WorldCom Capital Stock or under MCI WorldCom's articles of incorporation or by-laws to approve this Agreement or any of the transactions contemplated hereby.

(i) *Intellectual Property; Year 2000.* (i) MCI WorldCom and its Subsidiaries own, or are validly licensed or otherwise have the right to use, all Intellectual Property Rights used in the business of MCI WorldCom and its Subsidiaries, except for such Intellectual Property Rights the failure of which to own, license or otherwise have the right to use is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(ii) To the Knowledge of MCI WorldCom, neither MCI WorldCom nor any of its Subsidiaries has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights or other proprietary information of any other Person, except for any such interference, infringement, misappropriation or other conflict which is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. To the Knowledge of MCI WorldCom, neither MCI WorldCom nor any of its Subsidiaries has received any written charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation or other conflict (including any claim that MCI WorldCom or any such Subsidiary must license or refrain from using any Intellectual Property Rights or other proprietary information of any other Person) which has not been settled or otherwise fully resolved, except with respect to any such interference, infringement, misappropriation or other conflict which is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. To the Knowledge of



MCI WorldCom, no other Person has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of MCI WorldCom or any of its Subsidiaries, except for any such interference, infringement, misappropriation or other conflict which is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(iii) As of the date of this Agreement, MCI WorldCom and its Subsidiaries have undertaken a concerted effort to ensure that all of the computer software, computer firmware, computer hardware, and other similar or related items of automated, computerized, and/or software system(s) that are to be used or relied on by MCI WorldCom or any of its Subsidiaries in the conduct of their respective businesses will not malfunction, will not cease to function, will not generate incorrect data, and will not provide incorrect results when processing, providing and/or receiving (i) data/related data into and between the years 1999 and 2000 and (ii) date-related data in connection with any valid date in the twentieth and twenty-first centuries. As of the date of this Agreement, MCI WorldCom reasonably believes that such effort will be successful.

(j) *Absence of Certain Changes or Events.* Except for liabilities incurred in connection with this Agreement or the transactions contemplated hereby, since June 30, 1999, MCI WorldCom and its Subsidiaries have conducted their business only in the ordinary course, and there has not been (i) any Material Adverse Change in MCI WorldCom, (ii) until the date of this Agreement, any declaration, setting aside or payment of any dividend or other distribution (whether in cash, stock or property) with respect to any of MCI WorldCom's capital stock, other than dividends payable on MCI WorldCom's preferred stock in accordance with their terms as of the date of this Agreement, (iii) until the date of this Agreement, any split, combination or reclassification of any of MCI WorldCom's capital stock or any issuance or the authorization of any issuance of any other securities in respect of, in lieu of or in substitution for shares of MCI WorldCom's capital stock, (iv) until the date of this Agreement, except insofar as may be required by a change in U.S. GAAP, any change in accounting methods, principles or practices by MCI WorldCom materially affecting its consolidated financial position or consolidated results of operations or (v) until the date of this Agreement, except insofar as Sprint has given its consent, which consent shall not be unreasonably withheld or delayed, any tax election (or settlement or compromise of any material income tax liability) that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(k) *Vote Required.* The affirmative vote (the "*Required MCI WorldCom Vote*") of (i) holders of shares of MCI WorldCom Common Stock and MCI WorldCom Series B Preferred Stock representing a majority of all the votes entitled to be cast at a meeting of the holders of outstanding shares of capital stock of MCI WorldCom, voting as a single voting group, is the only vote of the holders of any class or series of MCI WorldCom capital stock necessary to approve the Merger (which would include the amendment to MCI WorldCom's articles of incorporation contemplated hereby) and (ii) a majority of the total votes cast by the holders of shares of MCI WorldCom Common Stock is the only vote of the holders of any class or series of capital stock of MCI WorldCom necessary to approve, in accordance with the applicable rules of Nasdaq, the issuance (the "*MCI WorldCom Stock Issuance*") of MCI WorldCom Capital Stock pursuant to the Merger.

(l) *MCI WorldCom Rights Agreement.* No amendment to the MCI WorldCom Rights Agreement is required to be made by MCI WorldCom in connection with the approval, execution or delivery of this Agreement or the consummation of the transactions contemplated hereby.

(m) *Brokers or Finders.* No agent, broker, investment banker, financial advisor or other firm or Person on behalf of MCI WorldCom is or will be entitled to any broker's or finder's fee or any other similar commission or fee in connection with any of the transactions contemplated by this Agreement, except Salomon Smith Barney Inc., whose fees and expenses will be paid by MCI WorldCom in accordance with MCI WorldCom's agreement with such firm, based upon arrangements made by or on behalf of MCI WorldCom and previously disclosed to Sprint.

(n) *Opinion of Financial Advisor.* MCI WorldCom has received the opinion of Salomon Smith Barney Inc., dated the date of this Agreement, to the effect that, as of such date, the FON Exchange Ratio and the PCS

Stock Merger Consideration are fair, from a financial point of view, to MCI WorldCom, a copy of which opinion will promptly be made available to Sprint.

(o) *ERISA Compliance.* (i) With respect to MCI WorldCom's Benefit Plans, no liability has been incurred and to the Knowledge of MCI WorldCom there exists no condition or circumstances in connection with which MCI WorldCom or any of its Subsidiaries could be subject to any liability that is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom, in each case under ERISA, the Code or any other applicable law.

(ii) Each of MCI WorldCom's Benefit Plans has been administered in accordance with its terms, except for any failures so to administer any such Benefit Plan that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. MCI WorldCom, its Subsidiaries and all MCI WorldCom's Benefit Plans are in compliance with the applicable provisions of ERISA, the Code and all other applicable laws and the terms of all applicable collective bargaining agreements, except for any failures to be in such compliance that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(iii) None of MCI WorldCom or any of its Subsidiaries sponsors or contributes to any of MCI WorldCom's Benefit Plans that is subject to Title IV of ERISA.

(iv) MCI WorldCom and its Subsidiaries are in compliance with all Federal, state, local and foreign requirements regarding employment, except for any failures to comply that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. As of the date of this Agreement, there is no labor dispute, strike or work stoppage against MCI WorldCom or any of its Subsidiaries pending or, to the Knowledge of MCI WorldCom, threatened which may interfere with the respective business activities of MCI WorldCom or any of its Subsidiaries, except where such dispute, strike or work stoppage is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. As of the date of this Agreement, to the Knowledge of MCI WorldCom, none of MCI WorldCom, any of its Subsidiaries or any of their respective representatives or employees has committed any unfair labor practice in connection with the operation of the respective businesses of MCI WorldCom or any of its Subsidiaries, and there is no action, charge or complaint against MCI WorldCom or any of its Subsidiaries by the National Labor Relations Board or any comparable Governmental Entity pending or threatened in writing, in each case except where such practices, actions, charges or complaints are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(v) No employee of MCI WorldCom or its Subsidiaries will be entitled to any additional benefits or any acceleration of the time of payment or vesting of any benefits under any of MCI WorldCom's Benefit Plans as a result of the transactions contemplated by this Agreement, except to the extent that such benefits, acceleration or vesting are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. No amount payable, or economic benefit provided, by MCI WorldCom or its Subsidiaries (including any acceleration of the time of payment or vesting of any benefit) could be considered an "excess parachute payment" under Section 280G of the Code, except to the extent that, if such payment or benefit was an "excess parachute payment", such payment or benefit is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom. No Person is entitled to receive any additional payment from MCI WorldCom or its Subsidiaries or any other Person in the event that the excise tax of Section 4999 of the Code is imposed on such Person, except to the extent that any such additional payment is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(p) *Taxes.* (i) (A) Each of MCI WorldCom and its Subsidiaries and each MCI WorldCom Consolidated Group has timely filed or has caused to be timely filed all material tax returns and reports required to be filed by it or requests for extensions to file such returns or reports have been timely filed, granted and have not expired, (B) all tax returns and reports filed by MCI WorldCom and each of its Subsidiaries and each MCI WorldCom Consolidated Group are complete and accurate in all respects and (C) MCI WorldCom and each of

its Subsidiaries and each MCI WorldCom Consolidated Group has paid (or MCI WorldCom or another member of such MCI WorldCom Consolidated Group has paid on its behalf) all taxes shown as due on such returns and reports, and the reserve for current taxes shown on the most recent financial statements contained in the MCI WorldCom Filed SEC Reports (in addition to any reserve for deferred taxes established to reflect timing differences between book and tax income) is adequate to cover all taxes payable by MCI WorldCom and its Subsidiaries and each MCI WorldCom Consolidated Group for all taxable periods and portions thereof through the date of such financial statements, except for any such failure to file, incompleteness or inaccuracy, failure to pay, or inadequacy of such reserve, that is not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom.

(ii) No deficiencies for any taxes have been proposed, asserted or assessed in writing against MCI WorldCom or any of its Subsidiaries or any MCI WorldCom Consolidated Group that are not adequately reserved for, except for deficiencies that are not reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on MCI WorldCom and no requests for waivers of time to assess any such taxes have been granted or are pending (other than with respect to years that are currently under examination by the Internal Revenue Service or other applicable taxing authorities). The statute of limitations on assessment or collection of any Federal taxes due from MCI WorldCom and its Subsidiaries has expired for all taxable years of MCI WorldCom and each of its Subsidiaries through 1987. The Federal income tax returns of MCI WorldCom and each of its Subsidiaries have been examined by and settled with the Internal Revenue Services for all years through 1987.

(iii) Neither MCI WorldCom nor any of its Subsidiaries has taken or has agreed to take any action or has any Knowledge of any fact, agreement, plan or other circumstance that is reasonably likely to prevent the Merger from qualifying as a "reorganization" within the meaning of Section 368(a) of the Code.

(iv) Neither MCI WorldCom nor any of its Subsidiaries has constituted either a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code (A) in the two years prior to the date of this Agreement or (B) in a distribution which could otherwise constitute part of a "plan" or series of "related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.

(v) MCI WorldCom does not believe that it is a "United States real property holding corporation" within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code, although it has not determined or established whether it will be a United States real property holding corporation in the future.

(vi) As used in this Agreement, "*MCI WorldCom Consolidated Group*" means any affiliated group within the meaning of Section 1504(a) of the Code, in which MCI WorldCom (or any Subsidiary of MCI WorldCom) is or has ever been a member or any group of corporations with which MCI WorldCom files, has filed or is or was required to file an affiliated, consolidated, combined, unitary or aggregate tax return.

## ARTICLE IV

### COVENANTS RELATING TO CONDUCT OF BUSINESS

4.1 *Covenants of Sprint.* During the period from the date of this Agreement and continuing until the Effective Time, Sprint agrees as to itself and its Subsidiaries that (except as expressly contemplated, permitted or required by this Agreement or as otherwise indicated on the Sprint Disclosure Schedule or to the extent that MCI WorldCom shall otherwise consent in writing, which consent shall not be unreasonably withheld or delayed):

(a) *Ordinary Course.* Except to the extent not reasonably practicable in light of the announcement or existence of this Agreement and the transactions contemplated hereby, Sprint shall, and shall cause its

Subsidiaries taken as a whole to, carry on its business in the usual, regular and ordinary course in all material respects, in substantially the same manner as heretofore conducted, and shall use all reasonable efforts to maintain its rights and franchises and preserve its relationships with customers, suppliers and others having business dealings with it with the objective to minimize the impairment of its ongoing business; *provided, however,* that no action by Sprint or its Subsidiaries with respect to matters specifically addressed by any other provisions of this Section 4.1 or Section 4.1 of the Sprint Disclosure Schedule shall be deemed a breach of this Section 4.1(a) unless such action would constitute a breach of one or more of such other provisions.

(b) *Dividends; Changes in Share Capital.* Sprint shall not, and shall not permit any of its Subsidiaries to, and shall not propose to, (i) declare or pay any dividends on or make other distributions in respect of any of its capital stock, except (A) Sprint may continue the declaration and payment of regular quarterly cash dividends not in excess of \$0.125 per share of Sprint FON Stock (and any corresponding cash dividends on shares held by the Class A Holders) and regular dividends required by the terms of the Sprint Preferred Stock as in effect on the date hereof, in each case with usual record and payment dates for such dividends in accordance with Sprint's past practice and (B) dividends by wholly owned Subsidiaries of Sprint to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for, shares of its capital stock, except for any such transaction by a wholly owned Subsidiary of Sprint which remains a wholly owned Subsidiary after consummation of such transaction, or (iii) repurchase, redeem or otherwise acquire any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock except for the purchase from time to time by Sprint of Sprint Common Stock (and the associated Sprint Rights) in the ordinary course of business consistent with past practice in connection with the Sprint Benefit Plans and the terms of the Sprint Conversion Shares as in effect on the date hereof and except for the redemption of the Sprint Second Series Preferred Stock pursuant to Section 5.14.

(c) *Issuance of Securities.* Sprint shall not, and shall not permit any of its Subsidiaries to, issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock of any class, any Sprint Voting Debt or any securities convertible into or exercisable for, or any rights, warrants or options to acquire, any such shares or Sprint Voting Debt, or enter into any agreement with respect to any of the foregoing, other than (i) the issuance of Sprint Common Stock (and the associated Sprint Rights) upon the exercise of stock options or in connection with rights under other stock-based benefits plans, to the extent such options or rights are outstanding on the date hereof in accordance with their present terms or upon the exercise of the stock options issued pursuant to clause (vi) below, (ii) the issuance of Sprint Capital Stock upon the conversion of Sprint Conversion Securities pursuant to the terms thereof as in effect on the date hereof, (iii) the issuance of Sprint PCS Stock pursuant to the exercise of Warrants pursuant to the terms of the Warrant Agreements as in effect on the date hereof, (iv) issuances by a wholly owned Subsidiary of Sprint of capital stock to such Subsidiary's parent, (v) issuances in accordance with the Sprint Rights Agreement, (vi) issuances of stock options in connection with regular option grants by Sprint or issuances of stock options for new hires or issuances of restricted stock, in each case in the ordinary course of business and consistent with past practice pursuant to the Sprint Benefit Plans, (vii) the issuance of shares of Sprint Capital Stock pursuant to purchase rights or preemptive rights held by stockholders of Sprint under the terms of the instruments or agreements as in effect on the date hereof pursuant to which such shares were issued, (viii) the issuance of Sprint Capital Stock pursuant to acquisitions permitted under Section 4.1(e) hereof or under Section 4.1 of the Sprint Disclosure Schedule or (ix) as provided in Section 5.7 of the Sprint Disclosure Schedule.

(d) *Governing Documents.* Except to the extent required to comply with their respective obligations hereunder, required by law or required by the rules and regulations of the NYSE, Sprint shall not amend its articles of incorporation or by-laws.

(e) *No Acquisitions.* Sprint shall not, and shall not permit any of its Subsidiaries to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets; *provided,*

however, that the foregoing shall not prohibit (i) acquisitions of assets used in the operations of the business of Sprint and its Subsidiaries in the ordinary course of business consistent with past practice, (ii) internal reorganizations or consolidations involving existing Subsidiaries of Sprint or (iii) the creation of new Subsidiaries of Sprint organized to conduct or continue activities otherwise permitted by this Agreement, so long as any action otherwise permitted by this proviso could not reasonably be expected to result in (A) any of the conditions to the Merger set forth in Article VI not being satisfied or (B) a material delay in the satisfaction of any such conditions.

(f) *No Dispositions.* Other than (i) in the ordinary course of business consistent with past practice and, in any event, which are not material, individually or in the aggregate, to Sprint and its Subsidiaries taken as a whole or (ii) internal reorganizations or consolidations involving existing Subsidiaries of Sprint, Sprint shall not, and shall not permit any of its Subsidiaries to, sell, lease, encumber or otherwise dispose of, or agree to sell, lease, encumber or otherwise dispose of (including by way of a spin-off or similar transaction), any of its assets.

(g) *Indebtedness; Investments.* Sprint shall not, and shall not permit any of its Subsidiaries to, (i) incur any indebtedness for borrowed money or guarantee any such indebtedness of another Person, issue or sell any debt securities or warrants or other rights to acquire any debt securities of Sprint or any of its Subsidiaries, guarantee any debt securities of another Person, enter into any "keep well" or other agreement to maintain any financial statement condition of another Person (other than any wholly owned Subsidiary) or enter into any arrangement having the economic effect of any of the foregoing, except for (A) short-term borrowings, senior bank or similar bank financing or, subject to prior consultation with MCI WorldCom, any other indebtedness incurred by Sprint or any of its Subsidiaries with a maturity date not to exceed five years from the date of its original issuance (*provided* that the consummation of this Agreement or any of the transactions contemplated hereby shall not give rise to, cause or result in, a default or event of default under the agreement or instrument governing any such indebtedness or, an obligation to pay any amount thereunder solely as a result of the consummation of this Agreement or any of the transactions contemplated hereby) incurred in the ordinary course of business consistent with past practice (or to refund existing or maturing indebtedness) and (B) intercompany indebtedness between Sprint and any of its wholly owned Subsidiaries or between such wholly owned Subsidiaries, (ii) make any loans or advances to any other Person, other than (A) employee loans or advances made by Sprint in the ordinary course of business consistent with past practice and (B) loans or advances made between Sprint and any of its wholly owned Subsidiaries or between such wholly owned Subsidiaries, or (iii) investments in any Person other than (A) investments in wholly owned Subsidiaries and (B) investments in the ordinary course of business consistent with past practice and, in any event, which are not material, individually or in the aggregate, to Sprint.

(h) *New Line of Business; Capital Expenditures.* Sprint shall not, and shall not permit any of its Subsidiaries to, (i) enter into any new material line of business outside its Core Businesses (as defined in Sprint's articles of incorporation) or (ii) incur or commit to any capital expenditures other than capital expenditures incurred or committed to in the ordinary course of business and which are not in excess of the amounts set forth in Section 4.1(h) of the Sprint Disclosure Schedule.

(i) *Tax-Free Qualification.* Sprint shall not, and shall not permit any of its Subsidiaries to, take any action that would prevent or impede the Merger from qualifying as a reorganization under Section 368 of the Code.

(j) *Other Actions.* Sprint shall not, and shall not permit any of its Subsidiaries to, take any action that would, or that could reasonably be expected to, result in (i) any of the conditions to the Merger set forth in Article VI not being satisfied or (ii) a material delay in the satisfaction of any such conditions.

(k) *Accounting Methods.* Except as disclosed in the Sprint Filed SEC Reports, or as required by a Governmental Entity, Sprint shall not make any material change in its methods of accounting in effect at December 31, 1998, except as required by changes in U.S. GAAP as concurred in by Sprint's independent auditors. Sprint shall not change its fiscal year.

(l) *Representations and Warranties.* Sprint shall not take any action that would cause the representations and warranties set forth in Section 3.1(j) to no longer be true and correct.

(m) *Authorization of the Foregoing.* Sprint shall not, and shall not permit any of its Subsidiaries to, authorize, commit or agree to take any of the foregoing actions.

4.2 *Covenants of MCI WorldCom.* During the period from the date of this Agreement and continuing until the Effective Time, MCI WorldCom agrees as to itself and its Subsidiaries that (except as expressly contemplated, permitted or required by this Agreement or as otherwise indicated on the MCI WorldCom Disclosure Schedule or to the extent that Sprint shall otherwise consent in writing, which consent shall not be unreasonably withheld or delayed):

(a) *Ordinary Course.* Except to the extent not reasonably practicable in light of the announcement or existence of this Agreement and the transactions contemplated hereby, MCI WorldCom shall, and shall cause its Subsidiaries taken as a whole to, carry on its business in the usual, regular and ordinary course in all material respects, in substantially the same manner as heretofore conducted, and shall use all reasonable efforts to maintain its rights and franchises and preserve its relationships with customers, suppliers and others having business dealings with it with the objective to minimize the impairment of its ongoing business; *provided, however,* that no action by MCI WorldCom or its Subsidiaries with respect to matters specifically addressed by any other provisions of this Section 4.2 shall be deemed a breach of this Section 4.2(a) unless such action would constitute a breach of one or more of such other provisions.

(b) *Dividends; Changes in Share Capital.* MCI WorldCom shall not, and shall not permit any of its Subsidiaries to, and shall not propose to, repurchase, redeem or otherwise acquire any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock except for the purchase from time to time by MCI WorldCom of MCI WorldCom Capital Stock (and the associated MCI WorldCom Rights) in the ordinary course of business consistent with past practice in connection with share options, share incentive schemes, profit sharing schemes or other benefit plans of MCI WorldCom or repurchases of shares of MCI WorldCom Common Stock in open market or privately negotiated transactions. In the event MCI WorldCom changes (or establishes a record date for changing) the number of shares of MCI WorldCom Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization, subdivision, reclassification, combination, exchange of shares or similar transaction with respect to the outstanding MCI WorldCom Common Stock and the record date therefor shall be prior to the Effective Time, the applicable Merger Consideration shall be appropriately adjusted to reflect such stock split, stock dividend, recapitalization, subdivision, reclassification, combination, exchange of shares or similar transaction. In addition, in the event MCI WorldCom pays (or establishes a record date for payment of) any dividend on, or makes any other distribution in respect of, MCI WorldCom Common Stock, the applicable Merger Consideration shall be appropriately adjusted to reflect such dividend or distribution. Without limiting the foregoing, the issuance of MCI WorldCom Rights pursuant to the MCI WorldCom Rights Agreement in respect of each share of MCI WorldCom PCS Stock shall not cause, or result in, any adjustment pursuant to this Section 4.2(b).

(c) *No Acquisitions.* MCI WorldCom shall not, and shall not permit any of its Subsidiaries to, acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial equity interest in or all or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, in any event (i) with a value in excess of an amount equal to 20% of the market capitalization of MCI WorldCom, for any one acquisition and 30% thereof for all acquisitions before the Closing, in each case as determined on the date of its entering into an agreement therefor or (ii) that could reasonably be expected to result in (A) any of the conditions to the Merger set forth in Article VI not being satisfied or (B) a material delay in the satisfaction of any such conditions. MCI WorldCom shall not, and shall not permit any of its Subsidiaries to, enter into any new material line of business outside its existing core businesses.

(d) *No Dispositions.* MCI WorldCom shall not, and shall not permit any of its Subsidiaries to, sell, lease, encumber or otherwise dispose of all or substantially all of any material line of business for MCI WorldCom and its Subsidiaries taken as a whole.

(e) *Tax-Free Qualification.* MCI WorldCom shall not and shall not permit any of its Subsidiaries to, take any action that would prevent or impede the Merger from qualifying as a reorganization under Section 368 of the Code.

(f) *Other Actions.* MCI WorldCom shall not, and shall not permit any of its Subsidiaries to, take any action that would, or could reasonably be expected to, result in (i) any of the conditions to the Merger set forth in Article VI not being satisfied or (ii) a material delay in the satisfaction of such conditions.

(g) *Representations and Warranties.* MCI WorldCom shall not take any action that would cause the representations and warranties set forth in Section 3.2(j)(i) to no longer be true and correct.

(h) *Authorization of the Foregoing.* MCI WorldCom shall not, and shall not permit any of its Subsidiaries to, authorize, commit or agree to take, any of the foregoing actions.

4.3 *Control of Other Party's Business.* Nothing contained in this Agreement shall give Sprint, directly or indirectly, the right to control or direct MCI WorldCom's operations prior to the Effective Time. Nothing contained in this Agreement shall give MCI WorldCom, directly or indirectly, the right to control or direct Sprint's operations prior to the Effective Time. Prior to the Effective Time, each of Sprint and MCI WorldCom shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its respective operations.

## ARTICLE V

### ADDITIONAL AGREEMENTS

#### 5.1 *Preparation of the Form S-4 and the Joint Proxy Statement/Prospectus; Stockholders Meetings.*

(a) As promptly as practicable following the date hereof, MCI WorldCom and Sprint shall jointly prepare and file with the SEC preliminary proxy materials and any amendments or supplements thereto which shall constitute the joint proxy statement/prospectus (such proxy statement/prospectus, and any amendments or supplements thereto, the "*Joint Proxy Statement/Prospectus*") and MCI WorldCom shall prepare and file with the SEC the Registration Statement on Form S-4 with respect to the issuance of MCI WorldCom Capital Stock in the Merger (the "*Form S-4*") in which the Joint Proxy Statement/Prospectus will be included as a prospectus. The Form S-4 and the Joint Proxy Statement/Prospectus shall comply as to form in all material respects with the applicable provisions of the Securities Act and the Exchange Act. Each of MCI WorldCom and Sprint shall use all reasonable efforts to have the Form S-4 declared effective under the Securities Act as promptly as practicable after filing with the SEC and to keep the Form S-4 effective as long as is necessary to consummate the Merger. The parties shall promptly provide copies to and consult with each other and prepare written responses with respect to any written comments received from the SEC with respect to the Form S-4 and the Joint Proxy Statement/Prospectus and promptly advise the other party of any oral comments received from the SEC. MCI WorldCom agrees that none of the information supplied or to be supplied by MCI WorldCom for inclusion or incorporation by reference in the Joint Proxy Statement/Prospectus and each amendment or supplement thereto, at the time of mailing thereof and at the time of the Sprint Stockholders Meeting or the MCI WorldCom Shareholders Meeting, will contain an untrue statement of a material fact or 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. Sprint agrees that none of the information supplied or to be supplied by Sprint for inclusion or incorporation by reference in the Joint Proxy Statement/Prospectus and each amendment or supplement thereto, at the time of mailing thereof and at the time of the Sprint Stockholders Meeting or the MCI WorldCom Shareholders Meeting, will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make