

Filed Session of December 13,2000
Approved as Recommended
and so Ordered
By the Commission

JANET HAND DEIXLER
Secretary

Issued & Effective December 22, 2000
STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

November 29, 2000

TO: THE COMMISSION

FROM: OFFICE OF COMMUNICATIONS

SUBJECT: Case 00-C-1880 - Joint Petition of WorldCom, Inc. and
Intermedia Communications, Inc. for Approval of the
Transfer of Control of Intermedia Communications, Inc.
to WorldCom, Inc.

RECOMMENDATION:

It is recommended that the Commission grant approval, pursuant to Sections 99(2) and 100 of the Public Service Law, for a transaction whereby WorldCom, Inc. will acquire control of Intermedia Communications, Inc. Within 60 days after the consummation of the transaction approved herein, the petitioner should be required to inform the Secretary to the Commission in writing that the transaction was consummated. If such transaction is not consummated within one year after the issuance of this Order, the Commission may rescind the approval granted herein.

Introduction

By joint petition filed October 26, 2000, pursuant to Sections 99(2) and 100 of the Public Service Law, WorldCom, Inc. (WorldCom) and Intermedia Communications, Inc. (Intermedia) requested Commission approval to transfer control of Intermedia to WorldCom. This transaction will not involve any transfer of certificates, assets or customers to a new entity, as Intermedia will continue to hold the certificates issued to it by the Commission and to operate in New York pursuant to those certificates under the same rates, terms and conditions.

Accordingly, this transaction will be transparent to Intermedia's customers.

Background

WorldCom is a publicly traded Georgia corporation with principal offices located at 500 Clinton Center Drive, Clinton, Mississippi 39056. WorldCom is a global telecommunications company that, through various subsidiaries, is authorized to offer domestic interstate, intrastate, local and international telecommunications services in each of the 50 states and the District of Columbia. In New York State, WorldCom provides intrastate services through several different subsidiaries.

Intermedia is a publicly traded Delaware corporation with principal offices located at One Intermedia Way, Tampa, Florida 33647. Intermedia is authorized to offer intrastate interexchange telecommunications services in each of the 50 states, as well as competitive local exchange services in 39 states and the District of Columbia. In New York State, Intermedia is authorized to provide competitive local exchange and intrastate long distance service pursuant to Commission order issued on July 17, 1996 in case 96-C-0296. Additionally, Intermedia is authorized by the FCC to offer domestic interstate and international services nationwide and to provide voice and data communications services to customers throughout the United States.

Intermedia is also the controlling shareholder in Digex, Incorporated (Digex). As of September 30, 2000, Intermedia owned shares of Digex representing 62% of the outstanding Digex common shares and 94% of the voting power of the outstanding Digex stock. Digex is a provider of managed Web and application hosting services for some of the world's leading companies that rely on the Internet as a critical business tool.

Discussion

As a result of the transaction, Intermedia will become a subsidiary of WorldCom, which also will give WorldCom voting control of Digex. Although the acquisition of Digex's web-hosting capabilities is a principal objective of WorldCom in the merger, WorldCom will also acquire Intermedia's telecommunications services, assets and operations, including its regulated services, assets and operations in New York, as part of the transaction. WorldCom intends to hold and operate Intermedia's telecommunications operations separate from WorldCom's other telecommunications operations while the company evaluates its options for maximizing the value of these operations. During this period, Intermedia will continue to hold the certificates issued to it by the Commission and to operate in New York pursuant to those certificates under the same rates, terms and conditions. WorldCom has indicated it would separately seek any approvals that may be required for any subsequent disposition of Intermedia's telecommunications operations or assets.

Subject to the terms and conditions of the Merger Agreement and in accordance with Delaware law, Wildcat Acquisition Corp., a wholly owned subsidiary of WorldCom, will merge with and into Intermedia, and Intermedia will be the surviving corporation. Intermedia will then become a wholly owned subsidiary of WorldCom.

Public Interest Considerations

The petitioners claim that approval of this request is in the public interest, because the transaction will enable Intermedia to once more be able to raise the capital necessary to develop its networks and expand its business and that of Digex. Petitioners also believe the merger will increase Intermedia's appeal to present and potential customers as communications services will be provided in a more cost-effective manner due to greater buying power and lower transportation costs.

Complaints

There has been only one slamming complaint against Intermedia during the preceding two years. While the majority of WorldCom's subsidiaries have experienced a minimal level of complaint activity, MCI has experienced a significant number of consumer complaints. The Office of Consumer Services continues to work with MCI to reduce its overall complaint volumes and also the number of slamming complaints. This memo has been reviewed by the Office of Consumer Services (Barry Bedrosian).

Conclusion

Based on the representations in the petition, the proposed transaction is in the public interest. The Office of Communications has no objection to the transaction and recommends approval.

Respectively submitted,

DONALD E. BURKE
Associate Valuation Engineer

Reviewed by,

ROBERT T. MULIG
Office of General Counsel

APPROVED:

ROBERT LA MARCHE
Chief, Office of Communications