

REQUEST TO ESTABLISH DOCKET  
(PLEASE TYPE)

Date: March 14, 2001

Docket No. 010328-TP

1. Division Name/Staff Name: Communications/T. Williams
2. OPR: T. Williams
3. OCR: \_\_\_\_\_

4. Suggested Docket Title: Request for approval of an intra-company reorganization whereby all customers and operations associated with the operations of KMC Telecom, Inc. (ALEC Certificate No. 4733, and IXC Certificate No. 4792), and KMC Telecom II (ALEC Certificate No. 5617 and IXC Certificate No. 5616) will be transferred to KMC Telecom III (ALEC Certificate No. 7093 and IXC Certificate No. 7092), for cancellation of Certs 4733, 4792, 5617, and 5616, and for name change on AAV Certificate 4822 from KMC Telecom, Inc. to KMC Telecom III.

5. Suggested Docket Mailing List (attach separate sheet if necessary)

- A. Provide NAMES ONLY for regulated companies or ACRONYMS ONLY regulated industries, as shown in Rule 25-22.104, F.A.C.
- B. Provide COMPLETE name and address for all others. (Match representatives to clients.)

1. Parties and their representatives (if any)

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Interested Persons and their representatives (if any)

_____	_____
_____	_____
_____	_____
_____	_____
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6. Check one:

- Documentation is attached.
- Documentation will be provided with the recommendation.

DOCUMENT NUMBER-DATE

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March 6, 2001

Ms. Jackie Gilchrist  
Florida Public Service Commission  
Bureau of Certification and Evaluation  
2540 Shuman Oak Boulevard  
Tallahassee, FL 32399-0850

RECEIVED

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Florida Public Service Commission  
Division of Regulatory Oversight

Re: Notice of Intra-Company Reorganization

Dear Ms. Gilchrist:

KMC Telecom Holdings, Inc. ("KMC Holdings"), on behalf of its wholly owned subsidiaries, KMC Telecom, Inc. ("KMC I"), KMC Telecom II, Inc. ("KMC II") and KMC Telecom III, Inc. ("KMC III") (collectively, the "Affiliates"), by its undersigned attorneys, respectfully submits to the Commission this Notice of its proposed intra-company reorganization involving the Affiliates, as described herein.

This intra-company reorganization is being effectuated so that KMC Holdings may consolidate three of its wholly-owned regulated subsidiaries operating in Florida into one entity, KMC III. Currently, KMC I,<sup>1</sup> KMC II and KMC III, the subsidiaries affected by the reorganization, are authorized to provide local exchange and intrastate interexchange telecommunications services in Florida.<sup>2</sup> Upon completion of the reorganization, the Florida

<sup>1</sup> KMC I is also authorized as an Alternative Access Vendor (AAV). See Application of KMC Telecom, Inc. for a Certificate of Authority to Become an Alternative Access Vendor, Certificate No. 4822 (February 24, 1997).

<sup>2</sup> See Application of KMC Telecom, Inc. for a Certificate of Authority to Provide Alternative Local Exchange Services, Certificate No. 4733 (September 23, 1996); Application of KMC Telecom, Inc. for a Certificate of Authority to Resell Interexchange Telecommunications Services, Certificate No. 4792 (February 13, 1997); Application of KMC Telecom II, Inc. for a Certificate of Authority to Provide Alternative Local Exchange Services, Certificate No. 5617 (April 18, 1998); Application of KMC Telecom II, Inc. for a Certificate of Authority to Resell Interexchange Telecommunications Services, Certificate No. 5616 (April 18, 1998); Application of KMC Telecom III, Inc. for a Certificate of Authority to Provide Alternative Local Exchange Services, Certificate No. 7093

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telecommunications services and operations of the Affiliates will be consolidated into KMC III and operate under the name "KMC Telecom III, Inc." This transaction primarily involves the transfer of customers and operations associated with intrastate local exchange and long distance telecommunications services of affiliated entities, and the parties note the common ownership and control of the entities at issue.<sup>3</sup>

In connection with this Notice, regarding the consolidation of KMC I, KMC II and KMC III, the parties respectfully submit the following:

## **I. THE PARTIES**

As direct, wholly-owned subsidiaries of KMC Holdings, KMC I, KMC II and KMC III are affiliated entities. In Florida, KMC I, KMC II and KMC III are authorized to provide facilities-based and resold, switched, local exchange and interexchange services. The technical, financial and managerial qualifications of the Affiliates to provide local exchange and intrastate interexchange telecommunications services are a matter of public record, provided to the Commission in connection with their respective certification applications, and are incorporated herein by reference. All of KMC Holdings' affiliates, including KMC I, KMC II and KMC III operate under common management from the same location and are perceived by their customers and the public as one company.

## **II. DESIGNATED CONTACTS**

The designated contacts for purposes of this Notice are:

Genevieve Morelli  
Eric D. Jenkins  
M. Nicole Oden  
KELLEY DRYE & WARREN LLP  
1200 19th Street, N.W., Suite 500  
Washington, D.C. 20036  
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(September 6, 1999); Application of KMC Telecom III, Inc. for a Certificate of Authority to Resell Interexchange Telecommunications Services, Certificate No. 7092 (August 3, 1999). KMC Telecom V, Inc. is also certificated in Florida, but it is not subject to the intra-company reorganization. See Application of KMC Telecom V, Inc. for a Certificate of Authority to Provide Alternative Local Exchange Services, Certificate No. 7530 (August 28, 2000); Application of KMC Telecom V, Inc. for a Certificate of Authority to Resell Interexchange Telecommunications Services, Certificate No. 7531 (September 12, 2000).

<sup>3</sup> This intra-company reorganization also entails the transfer of KMC I's AAV certificate and operations to KMC III.

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Copies of all correspondence, notices, inquiries, and Orders related to this Notice should also be sent to:

John McLaughlin  
Director of State Regulatory Affairs  
KMC Holdings, Inc.  
1755 North Brown Road  
Lawrenceville, GA 30043

### **III. PURPOSE OF TRANSACTION**

This transaction has been initiated by KMC Holdings in order to consolidate certain of its telecommunications operations in Florida and throughout the United States. Initially, each of the Affiliates entered into loan agreements with different groups of lenders that required each respective Affiliate to obtain separate certificates of authority to provide local exchange and intrastate interexchange telecommunications services. However, since the granting of each company's certificates, the Affiliates' lenders have lifted these financial restrictions, making the proposed consolidation of the Affiliates' operations possible.<sup>4</sup> As such, KMC Holdings has undertaken a national corporate consolidation and restructuring plan involving KMC I-IV, whereby KMC III will survive as the single regulated, telecommunications operating entity. Through the proposed reorganization, KMC Holdings seeks to simplify its operations in Florida and throughout the United States. In addition, the parties believe that the reorganization will minimize the potential for customer confusion and facilitate the Commission's administration of KMC Holdings' affiliated certificated operations in Florida.

### **IV. DESCRIPTION OF THE TRANSACTION**

Under the proposed reorganization: (1) KMC I will transfer all of its customers and operations associated with the provision of intrastate local and long distance telecommunications services in Florida to KMC III; (2) KMC I will transfer all of its customers, operations and certificates associated with the provision of Alternative Access Vendor services in Florida to KMC III; (3) the AAV certificate previously held by KMC I will undergo a name change and bear the name KMC III; (4) KMC II will transfer all of its customers and operations associated with the provision of intrastate local and long distance telecommunications services in Florida to KMC III; (4) the Florida customers and operations of KMC I and KMC II will be served by KMC III; (5) KMC I and KMC II will cancel their respective certificates of authority and tariffs (except the AAV certificate); and (6) KMC I and KMC II will be dissolved and cease to exist as

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<sup>4</sup> However, it should be noted that affiliate KMC Telecom V, which is not affected by the reorganization, is still subject to loan agreements which require the maintenance of separate certificates of authority.

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corporate entities. All three affiliates operate under the same management team, have the same directors and parent company, and share the same pool of underlying financial and technical resources. As such, the transfer of customers, operations and certificates to KMC III will be a virtually seamless process that, at its core, is fundamentally a name change.

In addition, the reorganization of the Affiliates will have no adverse effect on Florida customers. The customers of KMC I and KMC II will receive notice of the intra-corporate transfer of their service to KMC III. This notice will inform the customers that they will receive uninterrupted service with no material change in the rates, terms and conditions of service provided to them by KMC III. Furthermore, inasmuch as KMC I, KMC II and KMC III are managed by the same team of experienced telecommunications personnel, the day-to-day operations of the companies - once consolidated - will continue to function as they have to date. For instance, the former customers of KMC I and KMC II will continue to be served by the same qualified team of customer service representatives. Customers will be able to contact these customer service representatives 24 hours a day, seven (7) days a week, by calling toll-free at (888) KMC-THE1 / (888) 562-8431. Thus, the transfer of customers and operations resulting from the reorganization will be transparent, and affected customers will experience no disruption in service.

#### **V. PUBLIC INTEREST CONSIDERATIONS**

The proposed reorganization will enable the parties to provide more efficient service to the public without diminishing the quality of that service. As there are no changes proposed in the rates or services to be offered after the completion of the reorganization, there will be no adverse impact to ratepayers or to the public. In addition, the intracorporate transfer of customers and operations of KMC I and KMC II to KMC III minimizes any potential confusion for customers. Accordingly, we believe that this internal reorganization will serve the public interest.

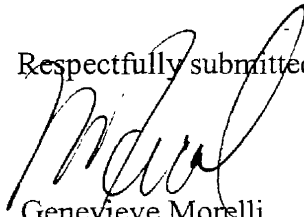
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**VI. CONCLUSION**

The parties respectfully submit this Notice of an intra-company reorganization as described herein. The parties are hopeful that the reorganization of KMC Holdings' Florida operations, as discussed herein, may be completed within the next 30 days.

Please do not hesitate to contact the undersigned counsel if you have any questions or concerns regarding this matter.

Respectfully submitted,



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M. Nicole Oden

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Counsel to KMC Telecom Holdings *et al.*