

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP

THE WASHINGTON HARBOUR
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7645
WWW.SWIDLAW.COM

NEW YORK OFFICE
THE CHRYSLER BUILDING
405 LEXINGTON AVENUE
NEW YORK, NY 10174
TEL. (212) 973-0111
FAX (212) 891-9598

July 30, 2002

BY OVERNIGHT MAIL

Blanca S. Bayo
Commission Clerk and Administrator Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

RECEIVED FPSC
02 JUL 31 AM 11:06
COMMISSION
CLERK

Re: Application for Approval of a Pro Forma Corporate Restructuring of Florida Digital Network, Inc.

Dear Ms. Bayo:

020845-TP

Florida Digital Network, Inc. ("FDN"), M/C Venture Southern Lending Corp., a Delaware corporation ("NewCo"), and certain funds managed by M/C Venture Partners ("MCVP") (collectively, the "Applicants"), by their undersigned attorneys, respectfully request the Florida Public Service Commission ("Commission") approve a *pro forma* corporate restructuring whereby (1) NewCo, a wholly owned subsidiary of MCVP, obtained approximately a 95% direct interest in FDN by foreclosing on pledges of FDN stock transferred to NewCo from MCVP, and (2) NewCo will merge with and into FDN, with FDN surviving and MCVP having approximately a 97% direct interest in FDN. For the Commission's convenience, illustrative charts describing the *pro forma* corporate restructuring are attached hereto as Attachment A.

An original and twelve (12) copies of this letter are enclosed for filing. Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, postage prepaid envelope provided.

In support of their Application, the Applicants provide the following information:

I. THE APPLICANTS

A. Florida Digital Network, Inc. ("FDN")

FDN is a privately held corporation organized under the laws of the State of Delaware with its principal business office at 390 North Orange Avenue, Suite 2000, Orlando, Florida 32801. FDN provides resold and facilities-based telecommunications services in the State of

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FPSC-COMMISSION CLERK

Florida pursuant to Certificates to provide alternative local exchange and interexchange telecommunications services issued by this Commission.¹

B. M/C Venture Southern Lending Corp. ("NewCo")

NewCo is a newly formed Delaware corporation that is a wholly owned subsidiary of certain funds managed by MCVP. NewCo does not currently hold an interest in FDN or any other telecommunications carrier.

C. M/C Venture Partners

MCVP is a private equity venture firm that manages private equity funds that focus exclusively on investing in early-stage communications and information technology companies. MCVP has over two decades of experience investing in such companies. MCVP seeks to identify well-positioned entrepreneurs and companies, and is typically the first institutional investor in the companies in which it invests.

Through funds managed by MCVP, MCVP currently holds a majority interest in FDN and have investments in a range of other communications and IT companies, including McLeodUSA, Cavalier Telephone, Novaxess, City Signal Communications, and Metro PCS, among others. Additionally, through funds managed by MCVP, MCVP also indirectly controls M/C Southern Communications, Inc. ("M/C Southern") which holds certificates to provide alternative local exchange and interexchange telecommunications services in the State of Florida.²

¹ In re *Applications for alternative local exchange telecommunications services by Florida Digital Network, Inc.*, Order No. PSC-98-1354-FOF-TX, Docket No. 980962-TX (issued Oct. 12, 1998, effective Nov. 2, 1998); In re *Application for certificate to provide interexchange telecommunications services by Florida Digital Network, Inc.*, Order No. PSC-99-1288-CO-TI, Docket No. 990451-TI (July 6, 1999).

² M/C Southern was issued ALEC Certificate No. 8100 by the Commission in Order No. PSC-02-0711-PAA-TX issued May 24, 2002, which became final with the issuance of Consummating Order No. PSC-02-0836-CO-TX on June 17, 2002. M/C Southern was issued IXC Certificate No. 8101 by the Commission in Order No. PSC-02-0718-PAA-TI issued May 24, 2002, which became final with the issuance of Consummating Order No. PSC-02-0835-CO-TI on June 17, 2002.

II. DESIGNATED CONTACTS

For purposes of this Application, contacts for the Applicants are as follows:

Richard M. Rindler
Brett P. Ferenczak
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
(202) 424-7771 (Tel)
(202) 424-7645 (Fax)
RMRindler@swidlaw.com (E-Mail)
BPFerenczak@swidlaw.com (E-Mail)

with copies to:

Peter H.O. Claudy
M/C Venture Partners
75 State Street, Suite 2500
Boston, MA 02109-1829
(617) 345-7200 (Tel)
(617) 345-7201 (Fax)

and:

Michael P. Gallagher
Florida Digital Network, Inc.
390 North Orange Avenue
Suite 2000
Orlando, FL 32801
(407) 835-0300 (Tel)
(407) 835-1437 (Fax)

III. DESCRIPTION OF THE TRANSACTIONS

The proposed *pro forma* restructuring is intended to take place in two steps. While the end result of these two steps is that MCVP (through funds it manages) will simply increase its majority interest in FDN to approximately a 97% interest, these two steps involve two transfers of direct control of FDN.

In the first step, MCVP transferred pledges of FDN stock³ to NewCo. Following the transfer of the stock pledges, NewCo foreclosed on the pledges, including MCVP's pledge of

³ In a recent transaction, MCVP purchased a substantial portion of FDN's senior secured debt, previously held by Fleet National Bank and other lenders, collateralized by all of FDN's assets and pledges from FDN

more than 50% of FDN stock, by bidding in a portion of its debt at a foreclosure sale conducted on July 22, 2002 under Article 9 of the Uniform Commercial Code. As the successful bidder, NewCo directly owns approximately 95% of FDN, while MCVP, by virtue of owning 100% of NewCo, indirectly owns approximately 95% of FDN. Therefore, in this first step direct control of FDN was transferred from MCVP to NewCo.

The second step of the restructuring envisions NewCo merging with and into FDN, with FDN surviving the merger. As a result of the merger, MCVP will have approximately a 97% direct interest in FDN. Again, this step results in a transfer of direct control of FDN, this time back to MCVP.

The proposed restructuring is strictly *pro forma* and will not adversely affect the provision of telecommunication services in Florida. All of FDN's customers will be served by the same team of qualified consumer representatives and will be provided service at the same rates, terms and conditions as they currently receive under FDN's existing contracts and tariffs. Further, the day-to-day operations of FDN will continue to be managed by the same team of experienced telecommunications personnel. Therefore, the transactions will be transparent to Florida consumers.

IV. PUBLIC INTEREST STATEMENT

The proposed restructuring will not harm the public interest. The restructuring will be undertaken in a seamless fashion that will not adversely affect the provision of telecommunications services in Florida, but will, in fact, increase the financial strength of the entity providing service in Florida. The restructuring is simply a paper transaction that will be transparent to Florida consumers and will not in any way inconvenience or cause harm to FDN's customers.

shareholders representing approximately 95% of FDN stock (including MCVP's own pledge of stock, which at that time represented more than a 50% share).

Blanca S. Bayo
July 30, 2002
Page 5

WHEREFORE, Applicants respectfully request that the Commission approve this application and grant any other authority that the Commission may deem necessary with respect to this request.

Respectfully submitted,



Richard M. Rindler
Brett P. Ferenchak
SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20006-5116
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)
RMRindler@swidlaw.com (E-Mail)
BPFerenchak@swidlaw.com (E-Mail)

Counsel for Applicants

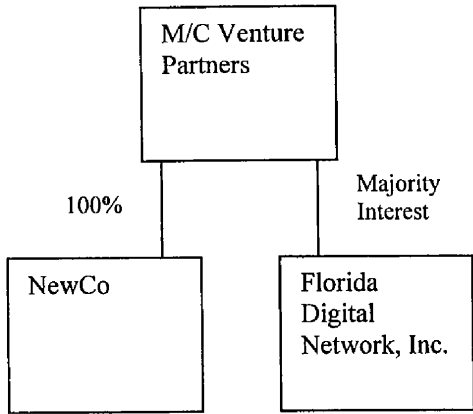
cc: Tommy Williams (FL PSC)
Sarah N.A. Camouris

ATTACHMENT A

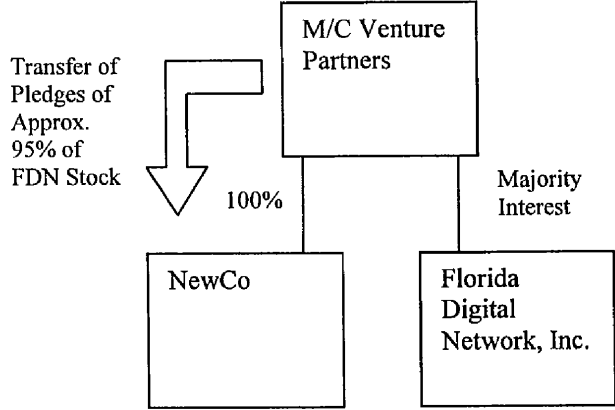
Illustrative Chart

**ILLUSTRATIVE CHART
OF ANTICIPATED TRANSACTIONS**

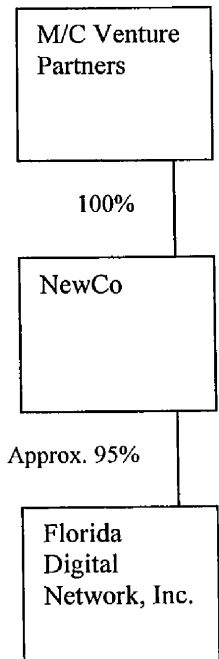
Current Corporate Structure



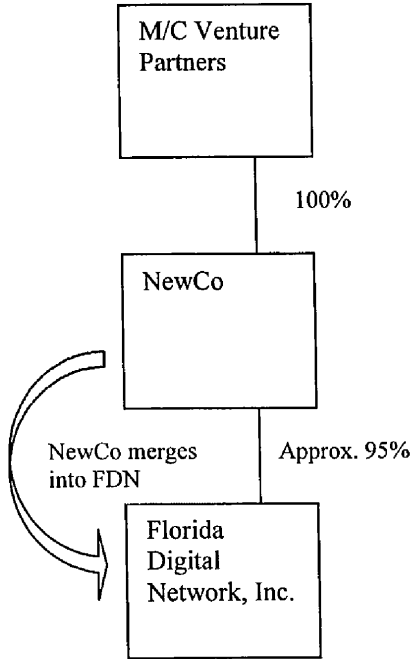
STEP 1: Transfer of Pledges of FDN Stock



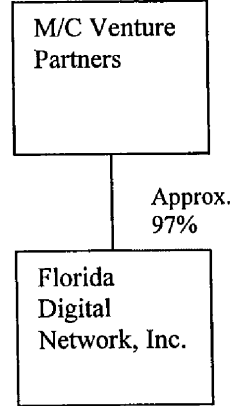
STEP 1: NewCo Forecloses on Pledges



STEP 2: NewCo Merges with and into FDN




Final Corporate Structure



VERIFICATION

I, Michael Gallagher, state that I am Chief Executive Officer of Florida Digital Network, Inc., the Applicant in the foregoing Application for Approval of a *Pro Forma* Corporate Restructuring; that I am authorized to make this Verification on behalf of Florida Digital Network, Inc.; that the foregoing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

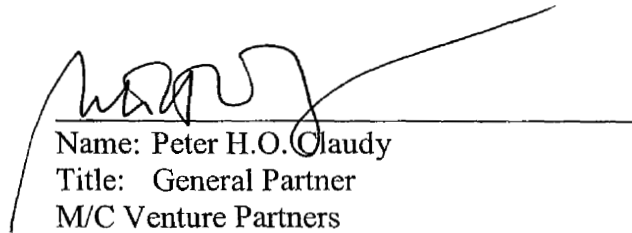
I declare under penalty of perjury that the foregoing is true and correct. Executed this 12 day of June, 2002.


Name: Michael Gallagher
Title: Chief Executive Officer
Florida Digital Network, Inc.

VERIFICATION

I, Peter H.O. Claudy, state that I am a General Partner of M/C Venture Partners, the Applicant in the foregoing Application for Approval of a *Pro Forma* Corporate Restructuring; that I am authorized to make this Verification on behalf of M/C Venture Partners; that the foregoing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 7th day of June, 2002.



Name: Peter H.O. Claudy
Title: General Partner
M/C Venture Partners