

ORIGINAL

SWIDLER BERLIN LLP

050182- T
The Washington Harbour
3000 K Street, N.W., Suite 300
Washington, D.C. 20007-5116
Phone 202.424.7500
Fax 202.424.7647
www.swidlaw.com

BY OVERNIGHT MAIL

March 11, 2005

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

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COMMISSION
CLERK

Re: Joint Petition for Waiver of Rule 25-4.118 in Connection with the Transfer of Customers from KMC Telecom III LLC to TelCove Investment, LLC

Dear Ms. Bayo:

On behalf of TelCove Investment, LLC and KMC Telecom III LLC, enclosed for filing with the Commission are an original and fifteen (15) copies of the above-referenced Joint Petition for Waiver.

Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, postage prepaid envelope provided. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned at (202) 424-7500.

Respectfully submitted,



Tamar E. Finn
Brian M. McDermott
Danielle C. Burt

cc: Brad E. Mutschelknaus (Kelley Drye)
Melissa S. Conway (Kelley Drye)
James E. Means (Telcove)
Marva Brown Johnson (KMC)

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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re Petition of **TelCove Investment, LLC**)
and **KMC Telecom III LLC** for)
Waiver of Rule 25-4.118 of the Florida)
Administrative Code in)
Connection with the Transfer of)
Customers from KMC Telecom III LLC)
To TelCove Investment, LLC)
_____)

Docket No. _____

Filed: March ___, 2005

JOINT PETITION FOR WAIVER

I. INTRODUCTION

TelCove Investment, LLC (“TelCove Investment”) and KMC Telecom III LLC (“KMC III”, together with TelCove Investment, “Petitioners”), by their undersigned counsel, hereby petition the Florida Public Service Commission (the “Commission”) for waiver of Rule 25-4.118, Florida Administrative Code, to allow the Petitioners to complete a transaction whereby TelCove Investment will acquire certain customer accounts from KMC III. As TelCove Investment is already authorized to provide telecommunications services in Florida, there is no need for TelCove Investment to obtain certification from the Commission; this is simply a transfer of assets/customers from one authorized carrier to another. As described below, because the transaction will not change the rates, terms or conditions of the services being received by customers, the proposed transaction will be entirely transparent to customers of KMC III in terms of the services that those customers receive. The only difference will be in the name of their service provider.

Petitioners file this Petition for Waiver in connection with an Asset Purchase Agreement entered into as of February 2, 2005 (“Agreement”) between KMC Telecom Holdings, Inc.

("KMC Holdings"), KMC Telecom LLC ("KMC"), KMC Telecom II LLC ("KMC II"), KMC III, and KMC Financial Services LLC ("KMC Parent") and TelCove, Inc. ("Buyer"). Pursuant to the Agreement, KMC Parent has agreed to sell to Buyer certain of the 5ESS switches and related assets and network operations of KMC III. Following that transaction, KMC III's current customers will be transferred to Buyer who, through TelCove Investment, will become the service provider for those customers.

Pursuant to Rule 25-4.118, Florida Administrative Code, a customer's interexchange presubscribed telecommunications services provider shall not be changed without the customer's authorization. To make such a change, a carrier must (1) obtain a letter of agency from the customer requesting the change, (2) obtain confirmation from the subscriber via a customer-initiated call, or (3) utilize an independent third party to verify the subscriber's order. The requirements of Rules 25-4.118 are applicable to local exchange carriers through incorporation by reference in Rule 25-24.845. Petitioners respectfully request a waiver of Rule 25-4.118 so that they may transfer the Florida customer base of KMC III to TelCove Investment. In support of this Petition, Petitioners state as follows:

II. THE PETITIONERS

A. TelCove, Inc. ("Buyer") and TelCove Investment, LLC ("TelCove Investment")

Buyer is a privately-held Delaware corporation with its principal place of business located at 121 Champion Way, Canonsburg, Pennsylvania 15317. The largest block of Buyer's shares is controlled by Bay Harbour Management, L.C. ("Bay Harbour"), a private investment company, which controls funds that hold approximately 47% of Buyer. Bay Harbour's principal place of business is located at 885 Third Avenue, 34th Floor, New York, New York 10022.

TelCove Investment is a Delaware limited liability company with its principal place of business located at 121 Champion Way, Canonsburg, Pennsylvania 15317.

Buyer, through its operating subsidiaries, including TelCove Investment, is a leading facilities-based provider of integrated communications services that serves medium and large businesses, state and local governmental agencies, educational institutions, and other communications service providers. Buyer offers local and long-distance voice, dedicated data, ATM, frame relay, and Internet services and is focused on serving communications-intensive end users. In Florida, TelCove Investment is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services pursuant to Certificate Nos. 6055 and 6056. Further information regarding TelCove Investment's legal, technical, managerial and financial qualifications to provide service was submitted with its Application for certification. Such information, therefore, is already a matter of public record, and Petitioners request that it be incorporated herein by reference.

Buyer has the managerial, technical and financial talents necessary to acquire and operate the assets and serve the customers. Buyer, through its operating subsidiaries, including TelCove Investment, is authorized to provide facilities-based local exchange and interexchange telecommunications services in every state, except Alaska, Arizona, Hawaii, and the District of Columbia. Buyer also holds international global facilities-based and resold Section 214 authority, as well as blanket domestic Section 214 authority. Buyer's operating companies currently provide Internet, voice and data services to customers in Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Vermont and Virginia. The same key management and other personnel that currently operate Buyer's operating companies

in Florida will assume KMC III's operations following completion of the transaction.

B. KMC Holdings and KMC Telecom III LLC

KMC Holdings is a Delaware corporation with its principal place of business located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. KMC Holdings is the ultimate holding company parent of KMC III. KMC Holdings, through KMC III and its affiliates, provides voice and/or data services in every state with the exception of Alaska, Colorado and Hawaii.

KMC III is Delaware limited liability company with its principal place of business located at 1545 Route 206, Suite 300, Bedminster, New Jersey 07921. KMC III holds the following authorizations in Florida: Certificate No. 7093; Certificate No. 7092; and AAV Certificate No. 4822. Wireline voice services are provided by KMC III in Alabama, Florida, Georgia, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina, Tennessee, Texas and Wisconsin and by KMC Telecom of Virginia, Inc. in Virginia. In addition, KMC III holds international resold and facilities-based Section 214 authority, as well as domestic blanket Section 214 authority.

III. DESIGNATED CONTACTS

Inquiries or copies of any correspondence, orders, or other materials pertaining to this Petition should be directed to:

Buyer/ TelCove Investment:

Tamar E. Finn
Brian M. McDermott
Danielle C. Burt
Swidler Berlin LLP
3000 K Street, NW, Suite 300
Washington, DC 20007-5116
(202) 424-7500 (Tel)

(202) 424-7645 (Fax)
TEFinn@swidlaw.com (Email)
BMMcdermott@swidlaw.com (Email)
DCBurt@swidlaw.com (Email)

with a copy to:

James E. Means, Esq.
Deputy General Counsel
TelCove, Inc.
121 Canonsburg, PA 15317
(724) 743-9566 (Tel)
(724) 743-9791 (Fax)
jim.means@telcove.com (Email)

KMC/ KMC III:

Brad E. Mutschelknaus
Melissa S. Conway
Kelley Drye & Warren LLP
1200 19th Street, NW, Suite 500
Washington, DC 20036
(202) 955-9600 (Tel)
(202) 955-9792 (Fax)
bmutschelknaus@kelleydrye.com (Email)
mconway@kelleydrye.com (Email)

with a copy to:

Marva Brown Johnson
Vice President and Senior Counsel
KMC Telecom Holdings, Inc.
1755 North Brown Road
Lawrenceville, Georgia 30022
(678) 985-6220 (Tel)
(678) 985-6213 (Fax)
Marva.Johnson@kmctelecom.com (Email)

IV. DESCRIPTION OF THE TRANSACTIONS

Petitioners propose to complete a Transaction (“Transaction”) whereby Buyer will acquire a portion of the 5ESS switches and related assets, network operations, and customer bases of KMC III in Daytona Beach, Fort Meyers, Greater Pinellas, Melbourne, Pensacola, Sarasota, and Tallahassee

Florida. In connection with that Transaction, Buyer will be responsible for providing service to KMC III's customers transferred as a result of the Transaction.¹ In order to effectuate the proposed Transaction, Buyer, KMC Holdings, KMC, KMC II, and KMC III have entered into an Asset Purchase Agreement ("Agreement").²

Petitioners emphasize that although the proposed Transaction will involve a transfer of customers, immediately following the proposed Transaction, those customers will continue to receive service from Buyer, through TelCove Investment, under the same rates, terms and conditions as the services currently provided. As a result, the proposed Transaction will be entirely transparent to customers served by KMC III in terms of the services that they currently receive. All of the affected customers will receive notice of the Transaction.³ Moreover, because Buyer is acquiring substantially all of the assets of KMC III necessary to provide voice service to the transferred customers, Buyer will have all of the assets required to continue to provide high quality services to the customers it acquires.

Buyer is well qualified to provide service to KMC III's customers. As explained above, Buyer, through its operating companies, including TelCove Investment, currently provides Internet, voice and data services to customers in Florida, as well as in Alabama, Arkansas, Georgia, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Vermont and Virginia. The same key

¹ Ultimately, all of KMC III's customers are being transferred, and therefore, KMC III will no longer provide service to customers in Florida. However, the operations of KMC III affiliates in Florida, KMC Telecom V, Inc. and KMC Data, LLC, are not affected by the Transaction; that is, KMC Telecom V, Inc. and KMC Data, LLC will continue to provide service to their respective customers in Florida pursuant to their existing authorizations.

² A copy of the Agreement will be provided upon request.

³ Each customer will receive notice of the Transaction in accordance with the FCC's requirements. A copy of the FCC notice will be submitted once it has been finalized.

management and other personnel that currently operate Buyer's operating companies in Florida will assume KMC III's operations following completion of the Transaction. Thus, Buyer will be able to rely upon the expertise and experience of its existing management to continue the current operations of KMC III and provide the same services at the same rates, terms and conditions as currently are provided to KMC III customers.

IV. PUBLIC INTEREST STATEMENT

The Transaction described above serves the public interest. In particular, the assignment of KMC III's customer accounts will ensure that those customers continue to receive uninterrupted services. At the same time, the proposed Transaction will allow KMC Holdings to continue to restructure its operations and allow KMC Holdings to continue to implement its business strategies going forward.

The proposed asset transfer will not inconvenience, confuse or otherwise harm KMC III customers. Indeed, the proposed Transaction will be virtually transparent to customers in terms of the services those customers receive. As set forth above, Buyer is well qualified to continue to provide such services. In sum, the proposed Transaction is expected to enhance competition in the affected markets by introducing Buyer or expanding its presence as a viable competitor while at the same time allowing KMC Holdings to continue the on-going restructuring of the company's operations.

VI. CONCLUSION

WHEREFORE, Petitioners request that the Commission grant the Petition and waive the requirements of Rule 25-4.118, Florida Administrative Code, to permit Petitioners to transfer the customers of KMC III to TeleCove Investment.

RESPECTFULLY SUBMITTED this 11th day of March, 2005.

Respectfully submitted,



James E. Means, Esq.
Deputy General Counsel
TelCove, Inc.
121 Champion Way
Canonsburg, PA 15317
(724) 743-9566 (Tel)
(724) 742-9791 (Fax)
jim.means@telcove.com (Email)

Tamar E. Finn
Brian M. McDermott
Danielle C. Burt
Swidler Berlin LLP
3000 K Street, NW, Suite 300
Washington, DC 20007-5116
(202) 424-7500 (Tel)
(202) 424-7645 (Fax)
TEFinn@swidlaw.com (Email)
BMMcdermott@swidlaw.com (Email)
DCBurt@swidlaw.com (Email)

Counsel for TelCove, Inc. and TelCove
Investment

Marva Brown Johnson
Vice President and Senior Counsel
KMC Telecom Holdings, Inc.
1755 North Brown Road
Lawrenceville, Georgia 30022
(678) 985-6220 (Tel)
(678) 985-6213 (Fax)
Marva.Johnson@kmctelecom.com

Brad E. Mutschelknaus
Melissa S. Conway
Kelley Drye & Warren LLP
1200 19th Street, NW, Suite 500
Washington, DC 20036
(202) 955-9600 (Tel)
(202) 955-9792 (Fax)
bmutschelknaus@kelleydrye.com
mconway@kelleydrye.com


Counsel for KMC Telecom Holdings, Inc.
and KMC III

Dated: March 11, 2005

VERIFICATION

VERIFICATION

I, James E. Means, state that I am Secretary of TelCove Investment, Inc., a Party in the foregoing filing; that I am authorized to make this Verification on behalf of TelCove Investment, Inc.; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.



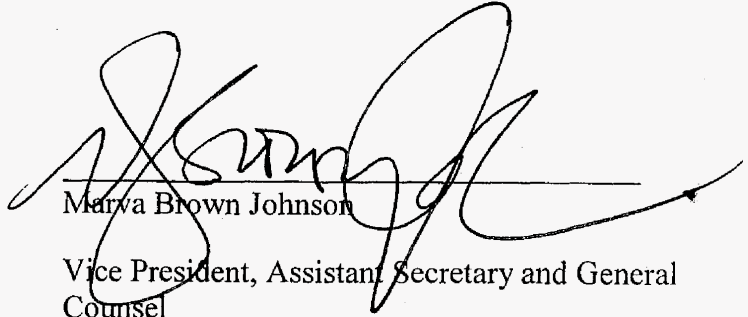
James E. Means

Deputy General Counsel & Secretary
TelCove Investment, Inc.

Dated: 3/9/05

VERIFICATION

I, Marva Brown Johnson, state that I am Vice President, Assistant Secretary and General Counsel of KMC Telecom III LLC, a Party in the foregoing filing; that I am authorized to make this Verification on behalf of KMC Telecom III LLC; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.



Marva Brown Johnson
Vice President, Assistant Secretary and General
Counsel
KMC Telecom III LLC

Dated: 3/9/05