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December 4, 2001

VIA OVERNIGHT DELIVERY

Thomas Dorman, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, KY 40602-0615

RECEIVED

DEC 04 2001

11:11 AM

Re: Notification of Business Telecom, Inc. – Indirect Transfer of Control

Dear Mr. Dorman:

Business Telecom, Inc. (“BTI” or “Company”), by its undersigned counsel, hereby notifies the Kentucky Public Service Commission (“Commission”) of an indirect transfer of control resulting from the issuance of additional preferred stock by BTI’s corporate parent, BTI Telecom Corp. (“BTI Telecom”). BTI is a non-dominant carrier authorized to provide facilities-based and resold local exchange and interexchange telecommunications services throughout the Commonwealth of Kentucky.

It is the understanding of Company that prior Commission approval is not required for the indirect transfer of control described herein. This letter is filed for informational purposes to be associated with appropriate Commission files.

Description of Company

BTI is a privately held corporation organized pursuant to the laws of the State of North Carolina whose principal business is telecommunications. BTI is a wholly owned subsidiary of BTI Telecom, a privately held North Carolina holding company. BTI Telecom holds no regulatory licenses from this or any other regulatory commission. BTI is a leading provider of integrated telecommunications services primarily in the southeastern United States. BTI was authorized to provide resold interexchange services in the Commonwealth of Kentucky pursuant to authority granted by the Commission in Case No. 92-367 on December 8, 1992. BTI is now additionally authorized to provide facilities-based interexchange service and operator services pursuant to its Letter of Notification filed June 1, 2001. BTI is authorized to provide facilities-based and resold local exchange services pursuant to a letter of notification and its tariff approved June 9, 2001. In addition to the services provided to Kentucky consumers, BTI is authorized by the various state

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public service commissions to provide facilities-based and/or resold interexchange telecommunications services in the other 49 states and the District of Columbia, pursuant to certification, registration or tariff requirements, or on a deregulated basis. Additionally, BTI is currently authorized to provide competitive local exchange services in over 20 states, including Kentucky.

Description of the Indirect Transfer of Control

An indirect transfer of control will result from an equity financing transaction planned by BTI's parent holding company, BTI Telecom. Specifically, pursuant to an agreement reached with Welsh, Carson, Anderson & Stowe VIII, L.P. and affiliated entities (collectively, "WCAS"), BTI Telecom will issue and sell to WCAS newly issued preferred stock in exchange for up to \$90 million in equity financing to BTI Telecom. WCAS's equity contribution will consist of a combination of approximately \$67.6 million in previously issued notes of BTI currently held by WCAS and \$2.4 million cash. As a result, the equity transaction will not only provide additional funding for BTI Telecom, and thus, BTI, but it will also enable BTI Telecom to eliminate certain existing indebtedness.

The proposed equity financing transaction will result in an increase of stock ownership by WCAS from approximately 45% to approximately 60% of the shares of BTI Telecom. The transaction will result in a transfer of control of BTI Telecom to WCAS, and, in turn, will result in an indirect transfer of control of BTI to WCAS. The indirect transfer of control, however, will not involve a change in the name under which BTI currently provides telecommunications services in the Commonwealth of Kentucky or in BTI's management or its day-to-day operations in Kentucky. Immediately following the transaction, BTI will continue to offer the services it currently offers to its customers in Kentucky under existing service arrangements and pursuant to its certification. BTI, moreover, will continue to be led by well-qualified telecommunications managers comprised of existing personnel. The indirect transfer of control of BTI, therefore, will be transparent to consumers in the Commonwealth of Kentucky.


* * *

BTI hereby notifies the Commission of the indirect transfer of control. As previously noted, it is the understanding of Company that prior Commission approval is not required for the indirect transfer of control described above. This letter is forwarded to the Commission for informational purposes, to be included in the appropriate file. Further information regarding this transaction can be provided under seal upon the Commission's request.

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An original and ten (10) copies of this notification letter are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed, stamped envelope. Should you have any questions regarding this transaction, please do not hesitate to contact Rogena Harris at (202) 295-8303.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. H.", is written over the typed name.

Richard M. Rindler
Rogena Harris

Counsel for Business Telecom, Inc.

cc: Anthony M. Copeland, Esq. (BTI)
Michael Donahue