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PUBLIC SERVICE
COMMISSION

May 18, 2006

(Via Federal Express)

Ms. Beth O'Donnell, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

**Re: Notification of PAETEC Communications, Inc.
Regarding Proposed Recapitalization and Minority Transfer of Control**

Dear Ms. O'Donnell:

PAETEC Communications, Inc. ("PAETEC"), by its undersigned counsel, hereby notifies the Public Service Commission of Kentucky (the "Commission") of its intent to enter into certain financing arrangements to recapitalize the company for the purpose of buying out certain minority shareholders of PAETEC Corp., Petitioner's parent company, as further described herein (the "Recapitalization"). PAETEC's participation in the financing arrangements described herein will not adversely affect the rates, terms, service, or operation of PAETEC, nor will it have an impact on its customers. Furthermore, the transaction will not involve an assignment of PAETEC's telecommunications authorizations nor a change in the day-to-day operations of PAETEC. The proposed transaction will, therefore, be completely transparent to PAETEC's customers.

It is our understanding that prior Commission approval is not required for PAETEC's participation in the transaction described herein. This letter is filed for informational purposes, and is to be associated with the appropriate Commission file.

A. Description of PAETEC

PAETEC is a privately-held Delaware corporation with principal offices located at One PAETEC Plaza, 600 Willowbrook Office Park, Fairport, New York 14450. PAETEC is a wholly-owned subsidiary of PAETEC Corp., a privately held Delaware holding company whose principal business is telecommunications. PAETEC is authorized to provide resold intrastate long distance services in Kentucky. PAETEC is also authorized to provide interexchange and/or competitive local exchange services in numerous other states pursuant to certification, registration, or tariff requirements, or on a deregulated basis. In addition, PAETEC is authorized

by the Federal Communications Commission to provide international services as a non-dominant carrier.

B. Description of Financing Arrangements and Minority Transfer of Control

As part of the Recapitalization, PAETEC intends to enter into a Loan and Security Agreement (the "Agreement") with commercial lenders in an amount not to exceed \$375 million for the purpose of retiring all outstanding amounts owing under its current credit facility, paying the transaction costs of the new facility and buying out the Minority Shareholders.

PAETEC is a wholly owned subsidiary of PAETEC Corp. Voting control of PAETEC Corp. is presently held by Arunas A. Chesonis, the Chairman and Chief Executive Officer of PAETEC Corp. Mr. Chesonis currently holds 54% majority voting control of the company either through direct ownership or through proxies granted by other shareholders. Certain of the minority shareholders, while not holding actual voting control of the company, have certain veto rights over major corporate decisions, and the right to appoint two out of the nine members of the board of directors (the "Minority Shareholders").

PAETEC proposes to buy out the Minority Shareholders, which will result in a minority transfer of control of the company because the Minority Shareholders will lose their veto rights, and the right to appoint two members of the board of directors. The stock currently held by Minority Shareholders will be exchanged for cash and stock in the company, which will have the effect of eliminating the Minority Shareholders' veto and board appointment rights. Furthermore, as a result of the Recapitalization, voting power held by Mr. Chesonis would decrease from 54.2% to less than 50%. Mr. Chesonis will no longer have voting control of the company, and no individual investor, or group of investors, will have voting control of the company.

C. Public Interest Considerations

PAETEC's participation in the Agreement will serve the public interest in promoting competition among telecommunications carriers by providing PAETEC with the opportunity to strengthen its competitive position with greater financial resources. The funds to be obtained through the Agreement are necessary and appropriate, are consistent with PAETEC's performance of services to the public, will not impair the ability of PAETEC to perform such services, and will promote a lawful objective within the corporate purposes of PAETEC. Furthermore, by increasing the breadth and scope of telecommunications services made available through the planned expansion of PAETEC's operations, the financing transactions will benefit Kentucky consumers. In sum, the transaction will strengthen PAETEC's ability to bring competitive telecommunications services to Kentucky consumers and is, therefore, in the public interest.

Ms. Beth O'Donnell
Public Service Commission of Kentucky
May 18, 2006
Page 3

D. Conclusion

For the reasons stated above, PAETEC respectfully submits that the public interest, convenience, and necessity would be furthered by its participation in the financing arrangements described herein. Accordingly, PAETEC respectfully advises the Commission of its intent to consummate this transaction on or about June 8, 2006.

An original and two (2) copies of this notification letter are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the self-addressed, postage paid envelope provided. Please feel free to contact the undersigned at (202) 857-1707 if there are any questions with respect to this matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tony S. Lee", with a long horizontal flourish extending to the right.

Tony S. Lee

Counsel for PAETEC Communications, Inc.

cc: Mary O'Connell (PAETEC)