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PUBLIC SERVICE  
COMMISSION

July 18, 2007

Via FedEx

Elizabeth O'Donnell, Executive Director  
 Kentucky Public Service Commission  
 221 Sower Boulevard  
 Frankfort, Kentucky 40602-8294

**Re: First Communications, LLC and Gores FC Holdings, LLC Notification of  
 Transfer of Control**

Dear O'Donnell:

First Communications, LLC ("FCL") and Gores FC Holdings, LLC ("Gores FC") (together, "the Parties"), through their undersigned, hereby notify the Commission of their intent to consummate a transaction whereby Gores FC will obtain a 13.1 percent interest in First Communications, Inc. ("FCI"), the parent company of FCL and Xtension Services, Inc. ("Xtension"), by converting non-voting shares of common stock to voting shares. In addition, the Parties intend to consummate transactions whereby Gores FC will exercise warrants to increase its interest in FCI up to a 35.6 percent and will obtain the right to appoint a majority of the FCI board of directors, giving it *de facto* control of FCI. Upon review of Kentucky statutes and Commission rules, the Parties understand that approval of the transactions by the Commission is not required. Accordingly, the Parties submit this filing as a courtesy and to ensure the continuing accuracy of the Commission's records.

FCI informed the Commission about the acquisition of FCL, pursuant to notice filed on December 6, 2006. The transfer of control of FCL to FCI was consummated on July 2, 2007. FCI did not acquire Lightyear Network Solutions, LLC ("Lightyear") as part of that transaction. Lightyear determined that the transaction did not correspond with its near-term business plans. To the extent that Lightyear may later decide to combine with FCI, it will seek appropriate approval from the Commission.

The Parties expect that the proposed transactions described herein will improve business operations for FCI and ultimately, FCL and Xtension, and emphasize that the proposed transactions will not affect the services provided to the customers of FCL and Xtension. As demonstrated below, Gores FC, an investment company, is financially and managerially well-qualified to take *de facto* control of FCI.

The Parties further state as follows:

Bingham McCutchen LLP  
 2020 K Street NW  
 Washington, DC  
 20006-1806

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 bingham.com

A/72095678.1

**I. Description of the Companies**

**A. First Communications, LLC ("FCL")**

FCL was formed on July 1, 1998 under the laws of the State of Ohio and is a wholly owned subsidiary of FCI, a corporation listed on the Alternative Investment Market of the London Stock Exchange ("AIM"). FCL's headquarters are located at 3340 West Market Street, Akron, Ohio 44333. FCL is authorized to provide local, private line, and/or long distance services to both business and residential customers in 49 states and holds domestic and international Section 214 authorizations from the FCC. Its services include, in addition to traditional local and long distance services, toll-free services, conference calling packages, calling cards, prepaid calling cards, Internet access and dedicated and private line services. FCL's telecommunications services are provided primarily on a resale basis using the facilities and switches that are owned and operated by other telecommunications carriers.

In Kentucky, FCL is authorized to provide interexchange telecommunications services pursuant to its registration and tariffs filed on April 4, 1999. Further information regarding FCL and the services it provides has previously been submitted to the Commission and is therefore a matter of public record, and the Parties request that it be incorporated herein by reference.

**B. Xtension Services, Inc. ("Xtension")**

Xtension, a wholly owned subsidiary of FCI, is a corporation founded in 2000 under the laws of the State of Delaware. Its offices are currently located at 30 South Treasure Drive, Tampa, Florida 33609. Xtension holds domestic and international Section 214 authorizations from the FCC and is authorized to provide long distance telecommunications services in 13 states and local exchange services in New Jersey. Xtension does not provide telecommunications services in Kentucky.

**C. Gores FC Holdings, LLC ("Gores FC")**

Gores FC is a limited liability corporation with its principal office located at 10877 Wilshire Boulevard, Suite 1085, Los Angeles, California 90024. Gores FC is ultimately controlled by The Gores Group, LLC (the "Gores Group"), and its managing member,

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Alec E. Gores.<sup>1</sup> The Gores Group is a preeminent private investment firm that focuses its investments on opportunities in the technology and telecommunications sectors.

Gores FC is well-qualified managerially, technically and financially to own and control FCI. In particular, the Gores Group has created an internal operations team which has a history of enhancing the value and operations of its investment companies by focusing on customers and employees, supporting management with operational expertise and providing access to capital. In addition, the Gores Group, through its affiliates, already holds a controlling interest in Global Tel\*Link Corporation, a telecommunications services provider. Through this affiliate, the Gores Group's continuing involvement in overseeing the regulated ownership of these companies has provided it with substantial management experience in working with regulated telecommunications companies. In addition to the well-qualified management and operations teams of FCL and Xtension that remain with the companies following the transfer of control to FCI,<sup>2</sup> the Gores Group and its affiliates also have an extensive background in acquiring and managing network services, software and computer hardware companies. Additional information regarding the management team assembled by the Gores Group is provided in Exhibit A.

Gores FC is financially qualified to take control of FCL and Xtension. The Gores Group's private equity fund has combined capital commitments of \$400 million from institutional investors and Gores Group principals. In addition to its own capital resources, through an established network of debt financing sources and investment partners, the Gores Group also provides access to working capital for its portfolio companies on favorable terms and conditions that might not otherwise be available to those companies as standalone enterprises.

## **II. Designated Contacts**

For the purposes of this filing, questions or any correspondence, orders, or other materials should be directed to the following contacts for the Parties:

For FCL and Xtension:

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<sup>1</sup> Three limited partnerships directly own 10 percent or more of Gores FC: Gores Alternative Investment I, L.P. (44.1 percent), Gores Alternative Investments II, L.P. (20.76 percent), and Gores Co-Invest Partnership, L.P. (22.5 percent) (together the Limited Partnerships"). In addition, Gores Capital Advisors, LLC owns 10 percent of Gores FC and serves as general partner of the three Limited Partnerships. The Gores Group is the managing member of Gores Capital Advisors, LLC.

<sup>2</sup> See Notice Letter filed December 5, 2006.

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with copies to:

Mary Cegelski  
First Communications, LLC  
15278 Neo Parkway  
Garfield Heights, OH 44128  
Tel: (216) 468-1614  
Fax: (216) 468-1680  
Email: mcegelski@firstcomm.com

For Gores FC:

Brent Bradley  
Vice President and Assistant General Counsel  
Gores Technology Group  
10877 Wilshire Boulevard, Suite 1805  
Los Angeles, California 90024  
Tel: (310) 209-3010  
Fax: (310) 209-3310

### **III. Description of the Transactions**

Gores FC currently holds a 9.9 percent voting interest in FCI, the parent of FCL and Xtension. The agreement by which Gores FC acquired its interest permits Gores FC to increase its interest to 13.1 percent by converting its non-voting shares of common stock to voting shares upon receipt of the necessary regulatory approvals. In addition, Gores FC also holds certain warrants that, if fully exercised, would increase its voting interest in FCI up to 35.6 percent and will give Gores FC the right to appoint a majority of the board of directors, thereby giving it *de facto* control of FCI. Accordingly, the Parties notify the Commission that they propose to complete transactions whereby Gores FC (1) will convert non-voting shares to voting shares and obtain a 13.1 percent voting interest in FCI, (2) will exercise the warrants to obtain up to a 35.6 percent interest in FCI, and (3) will have the right to appoint a majority of FCI's board of directors. For the Commission's convenience, pre- and post-transaction illustrative charts are provided as Exhibit B.

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Because the proposed transactions will be completed at the holding company level, the Parties expect that the proposed transactions will be entirely transparent to customers of FCL and Xtension. The proposed transactions will not result in any change to FCL and Xtension's day-to-day operations. Furthermore, FCL and Xtension do not anticipate that the proposed transactions will have any effect on their rates, terms or conditions of service. As a result, the proposed transactions will not directly affect any end user customers of FCL or Xtension or the services they currently receive.

**IV. Public Interest Considerations**

The proposed transactions will serve the public interest by providing FCL and Xtension access to additional financial and operational resources that will help to strengthen their position in the telecommunications marketplace. Access to additional financial resources will also allow FCL and Xtension to implement their business strategies while continuing to provide high quality services to existing consumers. Moreover, the Parties emphasize that the proposed transactions will be transparent to the customers of FCL and Xtension, and in no event will it result in the discontinuance, reduction, loss, or impairment of service to customers.

**V. Conclusion**

For the reasons stated above, the Parties respectfully submit that the transactions will serve the public interest, convenience, and necessity. An original and ten (10) copies of this letter are enclosed for filing. Please date-stamp the enclosed extra copy of this letter and return it in the attached self-addressed, stamped envelope.

Please contact the undersigned if the Commission has any questions regarding this matter.

Respectfully submitted,



Jean L. Kiddoo  
Danielle Burt

Counsel for First Communications, LLC

**EXHIBITS**

Exhibit A - Gores Group Management Biographies

Exhibit B - Illustrative Charts

## **EXHIBIT A**

### **Gores Group Management Information**

#### **Mark R. Stone, Senior Managing Director**

Mr. Stone has responsibility for Gores' worldwide operations group, oversight of all Gores portfolio companies and operational due diligence efforts. Mr. Stone joined Gores in 2005 from Sentient Jet, the leading provider of private jet membership and three-time recipient of the Robb Report's "Best of the Best in Travel Services" distinction, where he served as CEO. Prior to Sentient Jet, Mr. Stone served as CEO of Narus, a global telecommunication software company and Sentex Systems, an international security and access control manufacturing company. Mr. Stone was Corporate General Manager of Citysearch (now an operating business of IAC/InterActive Corp, NASDAQ: IACI), a multi-billion dollar new media organization. Mr. Stone spent five years with the Boston Consulting Group, a global strategy and operations consulting firm, as a member of their high technology and industrial goods practices - serving in BCG's Boston, London, Los Angeles, and Seoul, Korea offices. Mr. Stone holds an MBA in Finance and Multinational Management from The Wharton School and a B.S. in Finance with Computer Science and Mathematics concentrations from the University of Maine.

#### **Roderick Sherwood, III, Chief Financial Officer, Operations**

Mr. Sherwood is responsible for leading GOG finance operations as well as working with portfolio company executive teams to achieve full operational and financial potential. Prior to joining Gores in 2005, Mr. Sherwood was Senior VP & Chief Financial Officer with Gateway, responsible for overall financial and cost structure, corporate financial control, planning and analysis, capital raising and other Treasury activities, Internal Audit and investor communications. Accomplishments include eMachines acquisition, major cost reduction programs and systematizing financial control processes and procedures. Mr. Sherwood has over 25 years experience in successful financial and operations capacities for companies such as Chrysler Corporation, Loudcloud/Opware and Hughes Electronics Corporation (including Chairman of Hughes Investment Management Company, CFO of Hughes Telecommunications and Space, EVP of DIRECTV International and President/General Manager of Spaceway-Hughes Network Systems). He earned an MBA from Harvard Graduate School of Business and received his Honors Bachelor of Arts degree, with Distinction, in Economics from Stanford University.

#### **Brent Bradley, Vice President and Fund General Counsel**

Mr. Bradley is responsible for overseeing all portfolio company legal activities and providing primary legal support to the administrative functions of Gores. From 1996 until joining Gores in May 2002, Mr. Bradley practiced corporate and securities law at Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro in Los Angeles. At that firm, he represented business organizations and investors (including Gores) in public and private securities offerings, private equity investments, mergers and acquisitions, and other financing and commercial transactions. Mr. Bradley earned his B.A. from the University of California at Riverside, and his J.D. from Loyola Law School, Los Angeles, where he was a member of law review and elected Order of the Coif.

#### **Eric R. Hattler, Vice President & General Counsel**

Mr. Hattler is responsible for all legal aspects of Gores' business, including negotiation and execution of the company's transactions. Mr. Hattler's principal background is in mergers and acquisitions, securities and corporate law. Prior to joining Gores in 1998, Mr. Hattler worked at Riordan & McKinzie, a Los Angeles-based law firm specializing in complex corporate transactions, where he represented a number of merchant banking concerns and emerging growth companies. From 1988 to 1989, Mr. Hattler served as management consultant with A.T. Kearney, focusing on operational

issues. Mr. Hattler earned his B.A., magna cum laude, from Amherst College, where he was elected Phi Beta Kappa, and received his J.D. and M.B.A. degrees from the University of Chicago.

**Scott M. Honour, Senior Managing Director**

Mr. Honour is responsible for originating and structuring transactions and pursuing strategic initiatives at Gores. Prior to joining Gores in 2002, Mr. Honour led a career as an investment banker with a focus on creating, structuring, financing and executing financial sponsor-led transactions. From 2001 to 2002, Mr. Honour served as a Managing Director at UBS Warburg, where he was responsible for relationships with technology-focused financial sponsors, including Gores, and created the firm's Transaction Development Group, which brought transaction ideas to financial sponsors, including Gores. Prior to joining UBS Warburg, Mr. Honour was an investment banker at Donaldson, Lufkin & Jenrette where he executed a variety of mergers and acquisitions, high yield financing, equity offering and restructuring assignments. Mr. Honour also served as a Vice President in DLJ's Merchant Banking Group from 1995 to 1997. Prior to joining DLJ, Mr. Honour served as an analyst at Trammell Crow Company. Mr. Honour earned his B.S. in Business Administration and B.A. in Economics, cum laude, from Pepperdine University and his M.B.A. from the Wharton School of the University of Pennsylvania with an emphasis in finance and marketing.

**Jordan W. Katz, Principal**

Mr. Katz is responsible for the execution and negotiation of certain Gores acquisitions and divestitures, in addition to originating new investment opportunities and pursuing various strategic initiatives. Prior to joining Gores in 2002, Mr. Katz was an Associate Director in the Financial Sponsors Group of UBS Warburg's Los Angeles office, where he focuses on providing coverage to private equity firms and originating new transaction ideas. Prior to UBS Warburg, Mr. Katz was a founding member of eVolution Global Partners, a venture capital firm founded by Texas Pacific Group, Kleiner Perkins Caufield & Byers and Bain & Co. Mr. Katz began his career in 1996 at Colony Capital, an international private equity firm focused on real estate-related investments. Mr. Katz graduated from The Wharton School of the University of Pennsylvania with a B.S. in Economics and a concentration in Finance. Mr. Katz is a member of the board of directors of Proxicom and WStore Europe.

**Kurt Hans, Vice President, Tax**

Kurt W. Hans leads the tax due diligence effort at Gores focusing on legal structure optimization, tax exposure analysis, and tax accounting and efficiency modeling. Mr. Hans also oversees the tax compliance, tax audit, and tax planning functions of all portfolio companies. Prior to his employment with Gores, Mr. Hans worked for Arthur Andersen LLP and KPMG LLP where he specialized in mergers and acquisitions, international corporate taxation, and partnership taxation while serving the venture capital, telecommunications and hi-tech industries. Mr. Hans earned his B.S. in Business Administration with concentrations in Accounting and Finance at Colorado State University. Mr. Hans earned his Masters of Taxation at the University of Denver.

**Andrew Freedman, Senior Vice President, Finance**

Mr. Freedman is a member of Gores' operating due diligence and portfolio management team. Mr. Freedman has over 20 years of experience in accounting and financial management. Prior to joining Gores in 2002, Mr. Freedman was CFO of The Learning Company where he helped lead a successful turnaround and sale of the company. Mr. Freedman has 8 years of experience in the consumer software industry holding various financial management roles at The Learning Company, Broderbund Inc. and Mindscape Inc. where he was involved in several successful turnarounds and divestitures from 1994 to 2002. From 1988 to 1994, Mr. Freedman held various financial management positions at Paramount Communications, including Director of Finance, where he was responsible for internal and SEC reporting for this \$4 billion company. Prior to 1988, Mr. Freedman spent 4 years in public



accounting. Mr. Freedman earned a B.S. in Finance and Accounting from the State University of New York at Binghamton.

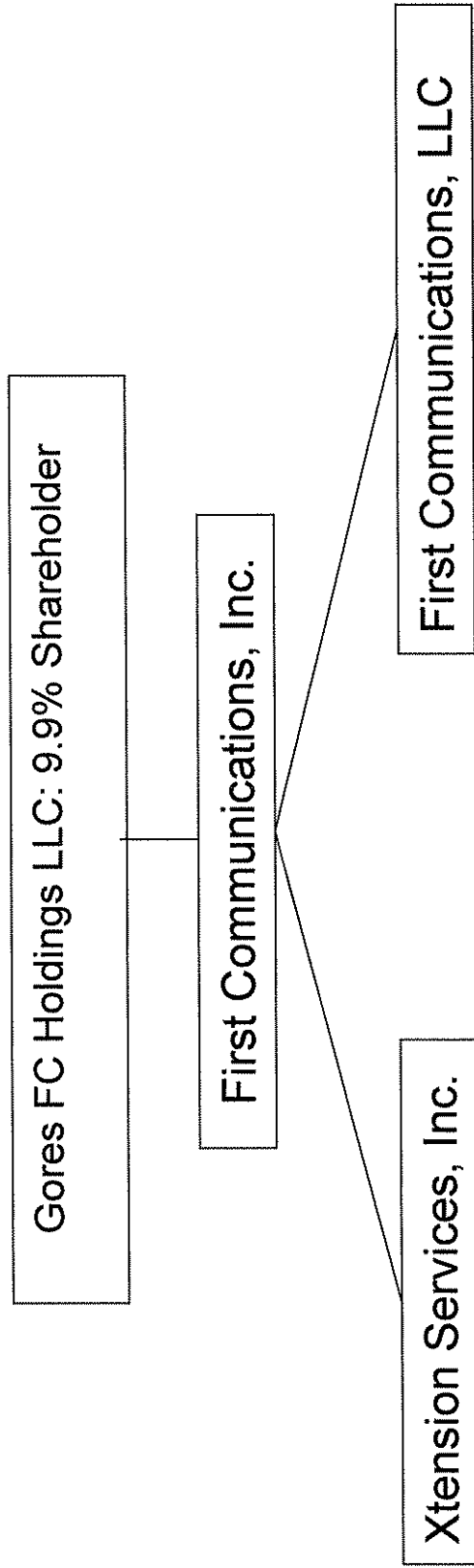
**R. Britton Terrell, Vice President, Debt Financing**

Mr. Terrell is responsible for managing relationships with debt financing sources and executing debt financings for new Gores leveraged acquisitions. Mr. Terrell joined Gores in 2002 from Foothill Capital Corporation, where he was the headquarters' Underwriting and Closing Manager. Prior to joining Foothill, Mr. Terrell was with Coast Business Credit, where he was Vice President and Team Leader of the Telecom and Technology portfolio. Mr. Terrell graduated from the University of California, Santa Barbara with a B.A. degree in Business Economics in 1986.

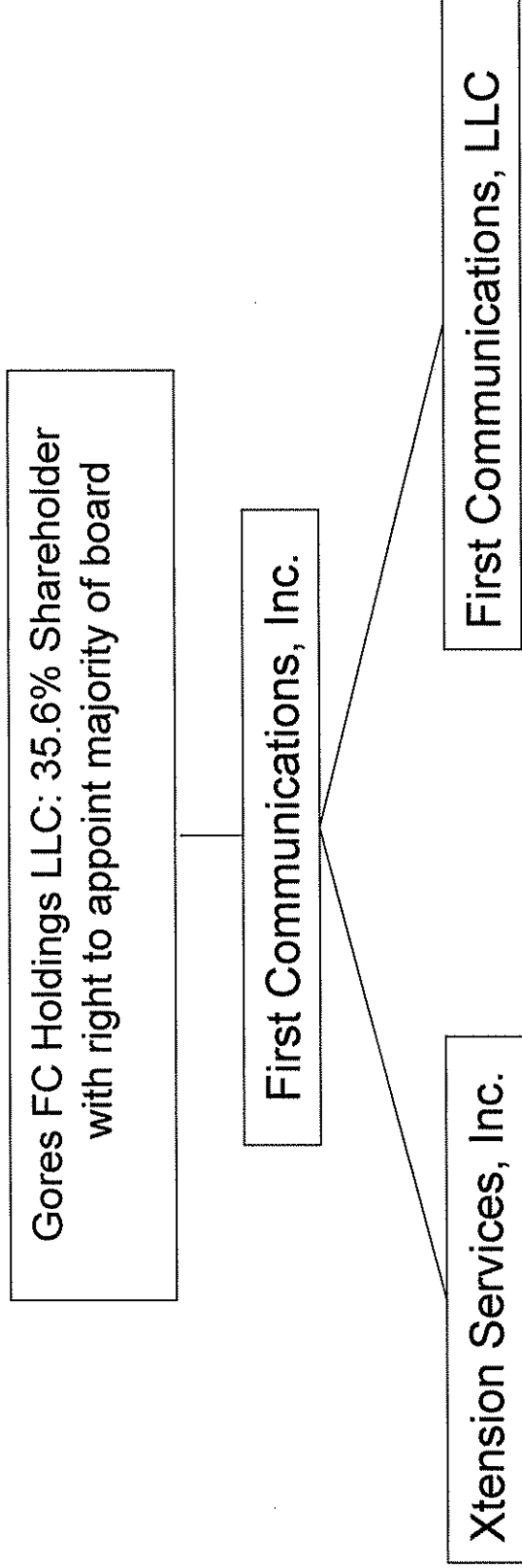
**EXHIBIT B**

**Illustrative Charts**

## Pre-Transaction Corporate Structure



## Post-Transaction Corporate Structure



STATE OF CALIFORNIA

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CITY OF LOS ANGELES

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**VERIFICATION**

I, BRENT D. BRADLEY state that I am Vice President and Secretary; that I am authorized to make this Verification on behalf of Gores FC Holdings, LLC; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to Gores FC Holdings, LLC are true and correct to the best of my knowledge, information, and belief.



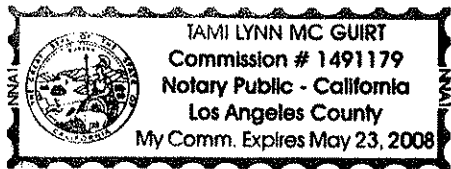
\_\_\_\_\_  
Brent D. Bradley  
Vice President and Secretary  
Gores FC Holdings, LLC

Sworn and subscribed before me this 10 day of July, 2007.



\_\_\_\_\_  
Notary Public

My commission expires 5/23/2008

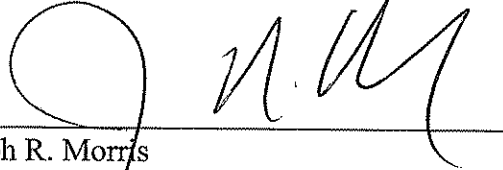


STATE OF OHIO  
CITY OF AKRON

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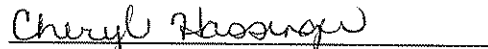
**VERIFICATION**

I, Joseph R. Morris, state that I am Chief Operating Officer of First Communications, Inc., the parent of First Communications, LLC; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to First Communications, Inc. are true and correct to the best of my knowledge, information, and belief.



Joseph R. Morris  
Chief Operating Officer  
First Communications, Inc.

Sworn and subscribed before me this 5<sup>th</sup> day of July, 2007.

  
\_\_\_\_\_  
Notary Public

My commission expires ~~my commission expires~~  
**Cheryl L. Hassinger**  
**January 8, 2008**