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January 20, 2006

**VIA OVERNIGHT DELIVERY**

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

RECEIVED  
JAN 23 2006  
PUBLIC SERVICE  
COMMISSION

**Re: Hypercube, LLC and KMC Data LLC – Notice of Change of Control**

Dear Ms. O'Donnell:

Hypercube, LLC (“Hypercube”) and KMC Data LLC (“KMC Data”) (together the “Parties”), through their undersigned counsel pursuant to the Orders issued in Administrative Case Nos. 359 and 370 on June 21, 1996 and January 31, 1998, respectively, hereby advise the Kentucky Public Service Commission (“Commission”) of a series of transactions whereby direct ownership and control of KMC Data will be transferred to Hypercube. In particular, the Parties have agreed to complete a series of transactions whereby Hypercube will acquire (among other things) all of the outstanding membership interests of KMC Data, a certificated carrier authorized to provide service in Kentucky. Upon completion of these proposed transactions, KMC Data will be a direct, wholly owned subsidiary of Hypercube.

It is the understanding of the Parties that Commission approval is not required to complete the transactions described herein. The Parties nevertheless file this letter as a courtesy to advise the Commission of the proposed transactions and ensure the continuing accuracy of the Commission's records. An original and ten (10) copies of this letter are enclosed. Please date-stamp and return the enclosed extra copy of this filing in the attached self-addressed stamped envelope.

The Parties further state as follows:

**I. Description of the Parties**

**A. KMC Data LLC (“KMC Data”)**

KMC Data is a limited liability company formed under the laws of the State of Delaware. KMC Data is currently part of the KMC family of companies which have a principal place of business located at 1545 Route 206, Bedminster, NJ 07921. KMC Data is an indirect, wholly owned subsidiary of KMC Telecom Holdings, Inc. (“KMC Holdings”), which is owned by a

diverse group of investors. KMC Holdings controls a family of companies that provide various regulated communications and other services (collectively, the “KMC Companies”). Members of the KMC family of companies, including KMC Telecom III LLC, KMC Telecom V, Inc. and KMC Data, hold (or have held in the past) authority to provide regulated services in states nationwide. Those KMC Companies also hold (or have held) authority from the Federal Communications Commission to provide interstate and international services.<sup>1</sup>

In Kentucky, KMC Data is authorized to provide statewide competitive local exchange and long distance telecommunications services pursuant to its registration and tariffs filed on November 26, 2001. Further information concerning KMC Data’s legal qualifications to provide service was submitted with its Tariffs with the Commission and is, therefore, a matter of public record. The Parties respectfully request that the Commission take official notice of that information and incorporate it herein by reference.

**B. Hypercube, LLC (“Hypercube”)**

Hypercube is a limited liability company formed under the laws of the State of Delaware. Hypercube’s principal place of business is located at 1545 Route 206, Bedminster, NJ 07921. Hypercube is a newly formed entity which is overseen by former members of the senior executive team of the KMC Companies. Hypercube was formed for the purpose of acquiring KMC Data in order to allow the continued provision of service to customers of the KMC tandem services business.

Hypercube is well qualified to acquire ownership and control of KMC Data. With respect to managerial and technical capabilities, Hypercube’s operations are overseen by virtually the same high quality management team that currently oversees KMC Data’s operations. These personnel also have collectively many years of managerial and technical experience from such companies as AT&T/Lucent, WorldCom, MFS, and Allegiance. The Hypercube management team, therefore, not only has extensive experience in the telecommunications industry in general but also extensive specific experience in the operations of KMC Data and the KMC Companies.

Following the proposed transactions, KMC Data will continue to be well financially qualified to provide service in Kentucky. In particular, following the proposed transaction, KMC Data will continue to hold the strong financial position it currently enjoys, including access to substantial cash reserves and accounts receivable. Based on the Company’s current business model, that financing, along with the on-going revenues generated by KMC Data’s operations are expected to be entirely sufficient to sustain KMC Data’s operations without the need for further funding for the foreseeable future.

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<sup>1</sup> Until recently, for example, KMC Telecom III LLC (“KMC III”) was a provider of competitive local exchange services in a number of markets across the United States. KMC III recently completed a transaction whereby those competitive local exchange operations were sold to CenturyTel and Telcove. The proposed transactions described herein are separate from and entirely unrelated to those transactions.

**II. Description of the Transactions**

The Parties have agreed to complete a series of transactions whereby KMC Data will become a wholly owned direct subsidiary of Hypercube, a recently formed limited liability company that includes the senior management team of KMC Data. In connection with the proposed transactions, the Parties propose that Hypercube will directly acquire all of the outstanding membership interests of KMC Data. The change in ownership will be structured as a direct acquisition by Hypercube of the KMC Data membership interests. An illustrative chart describing the proposed transactions is provided in Exhibit A.

In order to consummate the proposed transactions, the Parties have entered into an Asset Purchase Agreement (“Agreement”) dated as of November 15, 2005. Under the terms of the Agreement, Hypercube will acquire the membership interests of KMC Data in return for a \$1.6 million subordinated promissory note, along with certain other consideration including the assumption by Hypercube of certain liabilities of the KMC Companies (including of KMC Data).

Although the proposed transactions will result in a change in the ownership of KMC Data, the transactions will not affect the assets KMC Data currently holds or adversely affect any of the customers who receive service in connection with KMC Data’s on-going operations. Immediately following the consummation of the transactions, those customers will continue to receive service under the same rates, terms and conditions of service and continue to receive service under the KMC brand name. As a new subsidiary of Hypercube, KMC Data will continue to operate and provide services to its customers and will retain the assets used in the provisions of those services. The Parties anticipate that KMC Data’s senior management team and key technical employees of KMC Data will remain largely intact and will continue to oversee KMC Data’s operations. As a result, the transactions will be virtually transparent to KMC Data’s customers in terms of the services they receive.

**III. Public Interest Considerations**

The Parties respectfully submit that the proposed transactions serve the public interest. In particular, the Parties submit that: (1) the transactions will increase competition in the Kentucky telecommunications market by ensuring the ability of KMC Data to remain a viable and effective competitor; (2) the transactions will ensure that customers can continue to receive service on an uninterrupted basis; and, (3) that the transactions will be seamless in nature and therefore virtually transparent to those customers.

The proposed transactions described above will serve the public interest by ensuring the continued viability of KMC Data. In particular, as described above, the proposed transactions will establish KMC Data as financially stable stand-alone provider with a viable established business model. Given that KMC Data will continue to be overseen by the same highly qualified management team that currently oversees its operations, the proposed transactions will result in a KMC Data that is highly financially, technically and managerially qualified to provide service.

January 19, 2006

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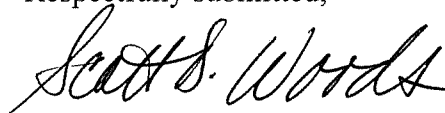
At the same time, the proposed changes in ownership of KMC Data will not inconvenience, confuse or otherwise harm customers. The KMC Data management team will remain in place and KMC Data is not changing its name. Furthermore, immediately following the proposed transactions, KMC Data customers will continue to receive service under the same rates, terms and conditions of service as those which customers currently receive. The proposed transactions therefore will be virtually transparent to customers in terms of the services they receive. In sum, the proposed transactions are expected to enhance the ability of KMC Data, to provide high-quality telecommunications services in Kentucky which should invigorate competition and thereby benefit consumers of telecommunications services.

**IV. Conclusion**

For the reasons stated above, the Parties respectfully submit that the public interest, convenience, and necessity will be furthered by completion of the proposed transactions.

Questions regarding this filing may be directed to the undersigned.

Respectfully submitted,



Jean L. Kiddoo  
Brett P. Ferenchak  
Scott D. Woods

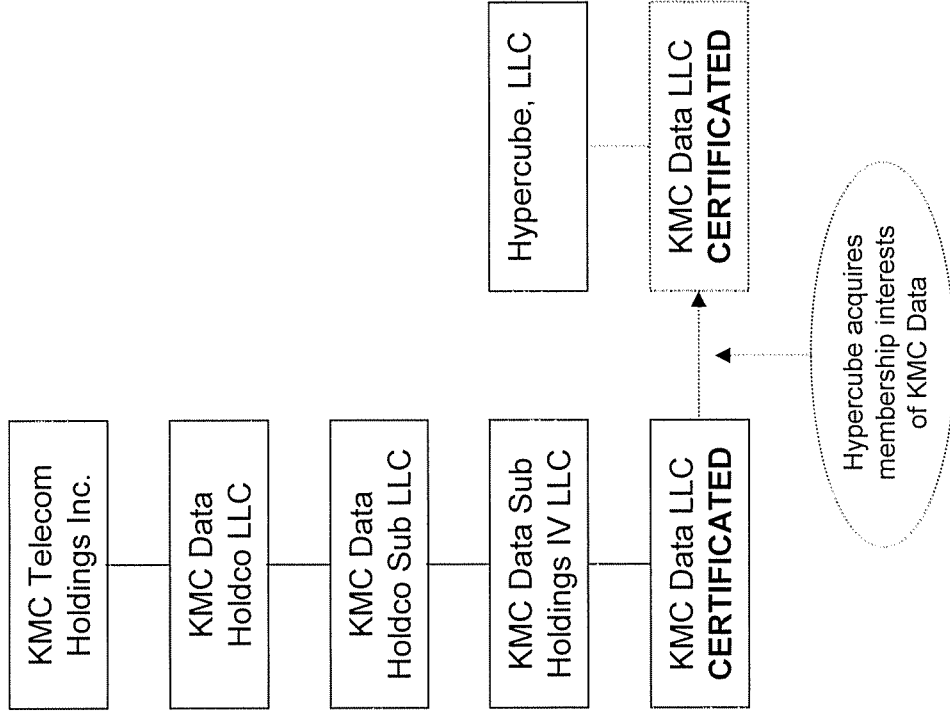
Counsel for the Parties

**Exhibit A**

**Illustrative Chart**

# Illustrative Chart

## Pre-Transaction



## Post-Transaction

