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July 30, 2004

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**AUG 02 2004**

**PUBLIC SERVICE  
COMMISSION**

## VIA OVERNIGHT DELIVERY

Thomas Dorman, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602-8294

RE: MCCC ICG Holdings LLC and ICG Communications, Inc.

Dear Mr. Dorman:

MCCC ICG Holdings LLC (“Buyer”) and ICG Communications, Inc. (“ICG”) (together the “Parties”), along with ICG Telecom Group, Inc. (“ICG Telecom”), through undersigned counsel, advise the Kentucky Public Service Commission (“Commission”) of a proposed series of transactions where ICG will transfer control of ICG Telecom, a carrier authorized to operate in Kentucky, to Buyer. Buyer is a newly formed holding company that is currently owned by two families of investment companies, M/C Venture Partners and Columbia Capital, LLC. As described below, because the transactions will be completed at the holding company level and will not change the rates, terms or conditions of ICG Telecom’s services, the proposed transactions will be transparent to customers of ICG Telecom receiving services in Kentucky.

The Parties file this letter in connection with an Agreement and Plan of Merger entered into as of July 19, 2004 (“Agreement”) pursuant to which Buyer will acquire ownership of ICG. Currently, ICG, which is widely held, is the ultimate holding company of the ICG family of companies and of ICG Telecom. Through the Agreement, MCCC Merger Corp. (“MCCC”), a newly created acquisition subsidiary wholly owned by Buyer, will be merged with and into ICG, under the laws of the State of Delaware, with ICG as the surviving entity. As a result of that transaction, ICG will become a wholly owned direct subsidiary of Buyer and Buyer will acquire indirect control over ICG Telecom.

It is the understanding of the Parties that Commission approval is not required in connection with the transactions described herein.<sup>1</sup> Accordingly, this letter is filed for informational purposes only to ensure the continuing accuracy of the Commission’s records.

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<sup>1</sup> See Administrative Case Nos. 359 and 370.

## THE PARTIES

### A) MCCC ICG Holdings LLC ("Buyer")

Buyer is a newly formed limited liability company organized under the laws of the State of Delaware. Buyer is jointly owned by members of two families of private investment funds, managed by M/C Venture Partners ("M/C Venture") and Columbia Capital, LLC ("Columbia Capital") respectively, each of which will hold a 50% interest in Buyer.<sup>2</sup>

Buyer has the managerial qualifications to acquire ICG. Key members of Buyer's management team include:

- **Daniel P. Caruso:** Mr. Caruso has extensive managerial experience in the telecommunications industry. Mr. Caruso was an officer and one of the founding executives of Level 3 Communications and has held management positions with a number of other telecommunications providers, including WorldCom, MFS Communications, and Ameritech. Mr. Caruso is President of Buyer.
- **Robert J. Schmiedeler:** Mr. Schmiedeler is the co-founder and former Chief Financial Officer of Answeron, Inc. He has also served as Chief Financial Officer for Servicemagic, Inc. and Co-Head-Investments for Tango (a private investment company) and as a Director of the Investment Banking-Corporate Finance division of Merrill Lynch & Co. Mr. Schmiedeler is Chief Financial Officer of Buyer.

In addition to Messrs. Caruso and Schmiedeler, Buyer will also have access to the experienced and well-qualified management teams of M/C Venture and Columbia Capital.

Buyer is also financially qualified to acquire ICG. As noted above, Buyer is jointly owned by funds managed by M/C Venture and Columbia Capital. M/C Venture manages a family of investment companies which specializes in investing in early-stage communications and related information technology companies. The principals of M/C Venture have over two decades of experience in investing in early stage communications companies and have managed over \$1 billion of institutional capital. Columbia Capital is a venture capital firm which specializes in the communications and information technology industries. Since the founding of Columbia Capital in 1989, its managed funds have made private investments of nearly \$1 billion in capital. Significantly, Buyer has already agreed to advance more than \$15 million in short-term financing to ICG.

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<sup>2</sup> As a part of the transaction, management of Buyer will receive options, the exercise of which could reduce the beneficial interests of M/C Venture and Columbia Capital in ICG to as low as 41.25% each.

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**B) ICG Communications, Inc. ("ICG")**

ICG is the ultimate holding company of the ICG companies, a family of companies which provides communications and information services over a nationwide fiber-optic data and voice network. ICG is a Delaware corporation with principal offices located at 161 Inverness Drive West, Englewood, Colorado 80112. ICG is currently widely held, with only two entities owning or controlling more than ten percent of the company's outstanding securities.<sup>3</sup>

ICG, through its operating subsidiaries, offers a range of resold and facilities-based services, including service over a managed fiber-optic network with numerous points of presence nationwide, including coverage of over 4,000 rate centers. ICG's service offerings include local and long distance telecommunications services, data services, information services, and other communications solutions. In Kentucky, ICG's subsidiary, ICG Telecom is authorized to provide telecommunications services, pursuant to authorization granted by the Commission in Case No. 96-501, on December 26, 1996. ICG Telecom is a Colorado corporation with headquarters also located at 161 Inverness Drive West, Englewood, Colorado 80112.

**DESCRIPTION OF THE TRANSACTIONS**

The Parties propose to complete a series of transactions ("Transactions") whereby Buyer will acquire ICG and therefore indirect ownership and control of ICG Telecom. In particular, through the Agreement, Buyer's wholly owned subsidiary, MCCC, will be merged with and into ICG, under the laws of the State of Delaware with ICG being the surviving entity. As a result of that merger, ICG will become a wholly owned subsidiary of Buyer. In connection with the Transactions, current owners of ICG common stock will receive \$0.75 per share. Illustrative charts of the proposed Transactions are attached to this letter.

The proposed Transactions will be completed at the holding company level and consummation of the Transactions will not result in any transfer or assignment of the operating authority held by ICG Telecom or its customers or result in a name change by ICG Telecom. Immediately following the Transactions, ICG Telecom expects to continue to conduct its operations in substantially the same manner in which those operations are currently conducted and customers of ICG Telecom will continue to receive service under the same rates, terms and conditions that currently apply to those services. As a result, the proposed Transactions will be transparent to customers served in Kentucky by ICG Telecom in terms of the services that they receive.

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<sup>3</sup> W.R. Huff Asset Management Co, L.L.C, and Cerberus Capital Management, L.P. each currently beneficially own or control greater than 10% of ICG. Those entities will relinquish their minority ownership interests as part of the Transactions described herein.

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**PUBLIC INTEREST**

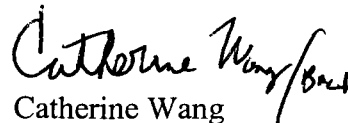
The Transactions described above serve the public interest by providing ICG with access to financial and managerial resources that will allow the ICG companies to better assess and implement their business strategies going forward. Access to those resources will facilitate ICG's and ICG Telecom's ability to continue to provide high quality services to existing customers. The proposed indirect ownership change will not inconvenience, confuse or otherwise harm ICG's customers. Indeed, the proposed Transactions will be virtually transparent to customers in Kentucky. In sum, the proposed Transactions are expected to enhance the ability of ICG, through ICG Telecom, to provide high-quality telecommunications services in Kentucky which should invigorate competition and thereby benefit consumers of telecommunications services in Kentucky.

**CONCLUSION**

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

An original and ten (10) copies of this letter are enclosed. Please date stamp and return the extra copy of this letter in the provided self-addressed stamped envelope. Questions concerning this matter may be addressed to the undersigned.

Respectfully submitted,

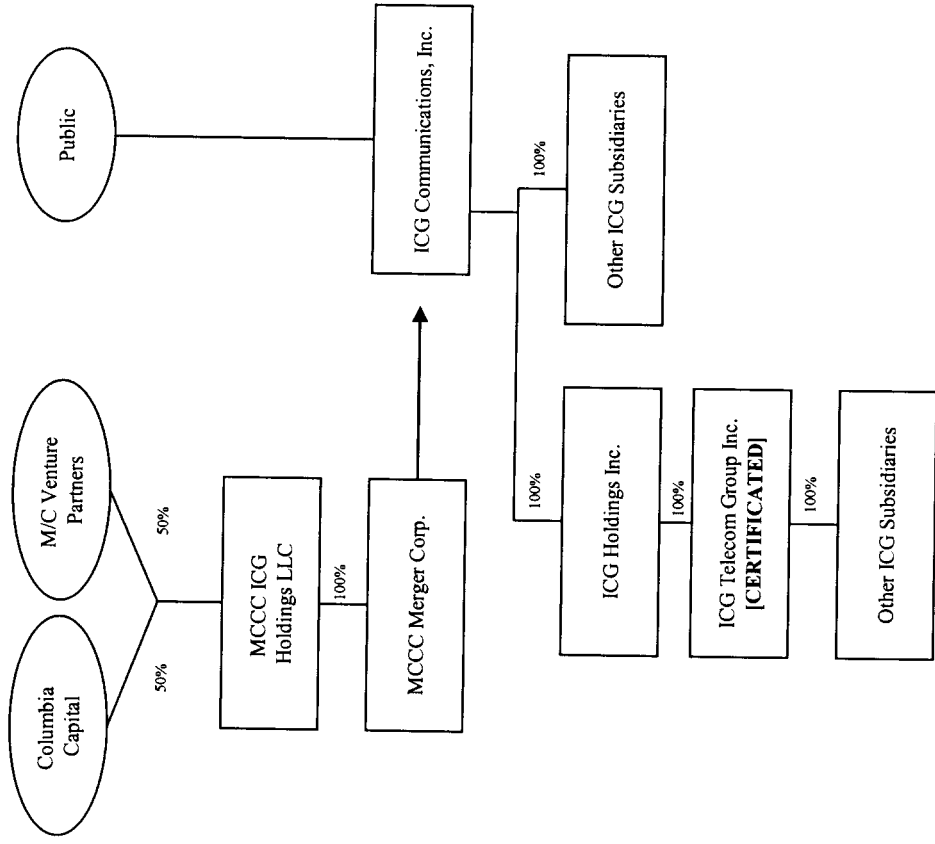
  
Catherine Wang  
Tamar E. Finn

Counsel for the Parties

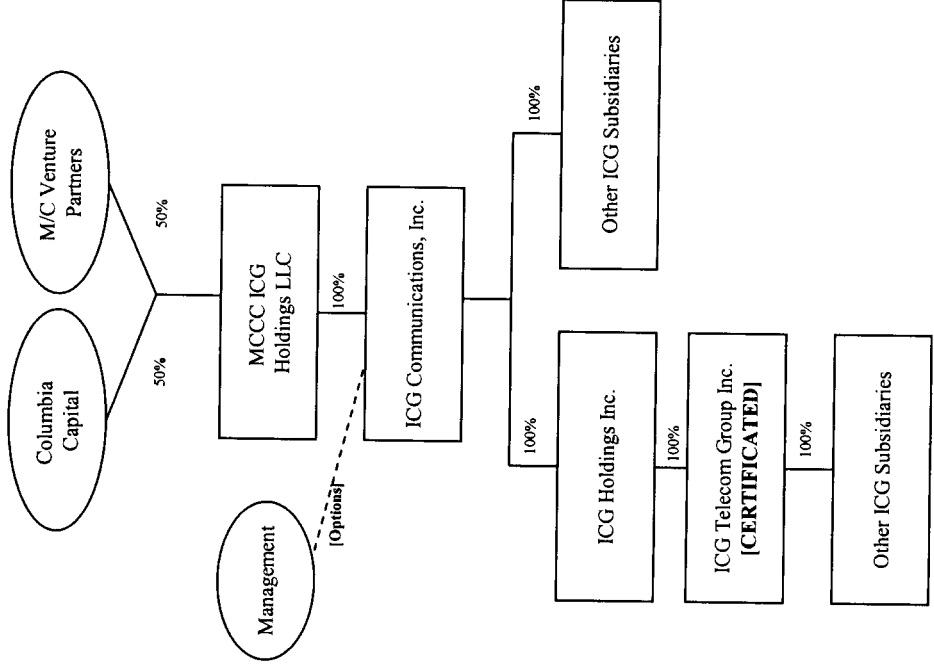
cc: Daniel P. Caruso (Buyer)  
Scott Beer (ICG)  
Brian McDermott (SBSF)

# Exhibit A: Illustrative Chart

## Pre-Transaction



## Post-Transaction

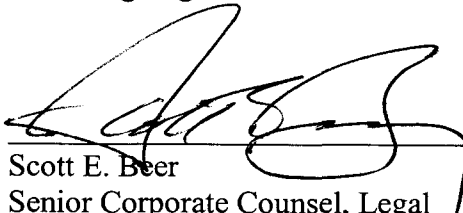




## VERIFICATION

I, Scott E. Beer, state that I am Senior Corporate Counsel, Legal of ICG Communications, Inc., a Party in the foregoing filing; that I am authorized to make this Verification on behalf of ICG Communications, 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.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 22<sup>nd</sup> day of July, 2004.



Scott E. Beer  
Senior Corporate Counsel, Legal  
ICG Communications, Inc.