

Jean L. Kiddoo  
Brett P. Ferenchak  
Kimberly A. Lacey  
jean.kiddoo@bingham.com  
brett.ferenchak@bingham.com  
kimberly.lacey@bingham.com

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PUBLIC SERVICE  
COMMISSION

September 24, 2010

*Via Overnight Courier*

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

**Re: Notification Regarding the Transfer of Indirect Control of Talk America, Inc., The Other Phone Company and Network Telephone Corporation to PAETEC Holding Corp.**

Dear Ms. O'Donnell:

PAETEC Holding Corp. ("PAETEC"), Talk America, Inc. ("TA"), The Other Phone Company ("TOPC") and Network Telephone Corporation ("NTC") (TA, TOPC and NTC collectively, the "Cavalier Entities") (PAETEC and the Cavalier Entities collectively, the "Parties"), by their undersigned counsel and pursuant to the Orders issued in Admin. Case No. 359 on June 21, 1996 and No. 370 on January 8, 1998 and 807 KAR 5:011, Section 11, hereby notify the Kentucky Public Service Commission ("Commission") of the transfer of indirect control of the Cavalier Entities to PAETEC, as described more fully herein.

It is the Parties' understanding that Commission approval is not required to complete the transactions described herein. Accordingly, the Parties submit this letter for informational purposes only to ensure the continuing accuracy of the Commission's records. In support, the Parties provide the following information:

**Description of the Parties**

**A. PaeTec Holding Corp.**

PAETEC is a publicly traded Delaware corporation (NASDAQ GS: PAET) with principal offices located at One PAETEC Plaza, 600 Willow Brook Office Park, Fairport, New York 14450. PAETEC, through its regulated operating subsidiaries including its subsidiaries that operate in Kentucky, has a presence in 84 of the nation's top 100 MSAs, delivering communications solutions to business customers in 46 states and the District of Columbia. Additional information regarding PAETEC, including its most recent SEC Form 10-Q, as filed with the Securities and Exchange Commission, is available at [www.paetec.com/investors](http://www.paetec.com/investors).

Boston  
Hartford  
Hong Kong  
London  
Los Angeles  
New York  
Orange County  
San Francisco  
Santa Monica  
Silicon Valley  
Tokyo  
Washington

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

T +1.202.373.6000  
F +1.202.373.6001  
bingham.com

PAETEC has three subsidiaries that operate in Kentucky: PaeTec Communications, Inc. ("PCI"),<sup>1</sup> US LEC of Tennessee Inc. d/b/a PAETEC Business Services ("PAETEC-TN")<sup>2</sup> and McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services ("PAETEC Business").<sup>3</sup> By virtue of its ownership of PCI, PAETEC-TN and PAETEC Business, PAETEC has demonstrated its qualifications to own and operate telecommunications carriers in Kentucky.

**B. The Cavalier Entities**

The Cavalier Entities are wholly owned indirect subsidiaries of Cavalier Telephone Corporation ("Cavalier"), a Delaware corporation. Cavalier and the Cavalier Entities have their principal business offices at 2134 West Laburnum Avenue, Richmond, Virginia 23227. Through its various operating subsidiaries, including the Cavalier Entities, Cavalier uses its own network, including a high-capacity fiber network, to serve customers throughout the Midwest, Southeast, Northeast, and Mid-Atlantic states. The company's fiber network contains approximately 13,000 intercity route miles and approximately 4,000 metro route miles. Cavalier provides telecommunications services and solutions to business, consumer, and government customers.

In Kentucky, TA is authorized to operate as a competitive local exchange carrier (Utility ID No. 5051890), long distance carrier (Utility ID No. 5100700) and provider of operator services (Utility ID No. 22251007). TOPC is authorized to operate as a competitive local exchange carrier (Utility ID No. 5010600) and long distance carrier (Utility ID No. 22250106). NTC is authorized to operate as a competitive local exchange carrier (Utility ID No. 5007600) and long distance carrier (Utility ID No. 22250076). The Cavalier Entities are each also authorized by the Federal Communications Commission to provide domestic and/or international telecommunications services.

**Designated Contacts**

Questions, correspondence or other communications concerning this filing should be directed to the Parties' counsel of record:

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<sup>1</sup> PCI is authorized to operate as a competitive local exchange carrier (Utility ID No. 22251445) and long distance carrier (Utility ID No. 5144500).

<sup>2</sup> PAETEC-TN is authorized to operate as a competitive local exchange carrier (Utility ID No. 5050370), long distance carrier (Utility ID No. 22205037) and provider of operator services (Utility ID No. 33305037).

<sup>3</sup> PAETEC Business is authorized to operate as a competitive local exchange carrier (Utility ID No. 22251262) and long distance carrier (Utility ID No. 5126200).

Elizabeth O'Donnell, Executive Director  
September 24, 2010  
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For PAETEC:

Jean L. Kiddoo  
Brett P. Ferenchak  
Bingham McCutchen LLP  
2020 K Street, N.W., Suite 1100  
Washington, DC 20006-1806  
202-373-6000 (tel)  
202-373-6001 (fax)  
jean.kiddoo@bingham.com  
brett.ferenchak@bingham.com

with a copy to:

William A. Haas  
Vice President of Public Policy & Regulatory  
PAETEC Holding Corp.  
One Martha's Way  
Hiawatha, IA 52233  
319-790-7295 (tel)  
William.haas@paetec.com

For the Cavalier Entities:

Brad E. Mutschelknaus  
Melissa S. Conway  
Kelley Drye & Warren LLP  
3050 K Street NW, Suite 400  
Washington, DC 20007  
202-342-8539 (tel)  
202-342-8451 (fax)  
bmutschelknaus@kelleydrye.com  
mconway@kelleydrye.com

with a copy to:

Frances E. McComb  
General Counsel; EVP- Law & Public Policy  
Cavalier Telephone  
2134 West Laburnum Avenue  
Richmond, VA 23227  
267-803-4349 (tel)  
femccomb@cavtel.com

**Description of the Cavalier Transfer**

Pursuant to the Agreement and Plan of Merger, dated as of September 12, 2010, by and among PAETEC, Cairo Acquisition Corp. ("MergerCo") (an indirect, wholly-owned subsidiary of PAETEC created for purposes of the transaction),<sup>4</sup> Cavalier, and the Stockholder Representative (the "Agreement"), MergerCo will merge with and into Cavalier, with Cavalier continuing as the surviving entity (the "Merger").<sup>5</sup> As a result of the Merger, the Cavalier Entities will become wholly owned indirect subsidiaries of PAETEC and PAETEC Corp. Thus, PAETEC will become the new ultimate parent company of Cavalier and the Cavalier Entities. Diagrams depicting the Merger and the pre- and post-transaction corporate structures of the companies are appended hereto as Exhibit A.

The current customers of the Cavalier Entities will remain customers of those entities following the Merger. Accordingly, the Cavalier Transfer will be virtually seamless to

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<sup>4</sup> MergerCo is a direct wholly-owned subsidiary of PAETEC Corp., a Delaware corporation and direct wholly-owned subsidiary of PAETEC.

<sup>5</sup> There will be no change in the current ownership of PAETEC and its subsidiaries as a result of the Merger.

customers, who will continue to enjoy the same rates, terms and conditions of service as they do prior to closing. The only change resulting from the Cavalier Transfer will be that the Cavalier Entities will be ultimately owned by PAETEC, a widely held public corporation.

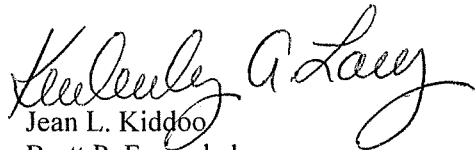
**Public Interest Considerations**

The proposed transactions described herein will serve the public interest. As part of the PAETEC family of companies, the Cavalier Entities will continue to provide high-quality telecommunications services to consumers, while gaining access to the additional resources and operational expertise of PAETEC. The Cavalier Entities will also benefit by being able to offer services to multi-location business customers across a much larger footprint in combination with its new PAETEC affiliates. The Cavalier Entities' network complements PAETEC's network and the acquisition will increase PAETEC's existing fiber footprint, giving the combined companies greater market depth and breadth as a result of the Cavalier Transfer. The indirect transfer of control will therefore give the Cavalier Entities the ability to become stronger competitors and thereby benefit consumers.

\* \* \*

An original and four (4) copies of this letter are enclosed for filing. Please date-stamp the enclosed extra copy and return it in the envelope provided. Should you have any questions regarding this filing, please do not hesitate to contact us.

Respectfully submitted,



Jean L. Kiddoo  
Brett P. Ferenczak  
Kimberly A. Lacey  
Bingham McCutchen LLP  
2020 K Street, N.W.  
Washington, DC 20006  
202-373-6000 (Tel)  
202-373-6001 (Fax)  
jean.kiddoo@bingham.com  
brett.ferenczak@bingham.com  
kimberly.lacey@bingham.com

Brad E. Mutschelknaus  
Melissa S. Conway  
Kelley Drye & Warren LLP  
3050 K Street NW, Suite 400  
Washington, DC 20007  
202-342-8539 (tel)  
202-342-8451 (fax)  
bmutschelknaus@kelleydrye.com  
mconway@kelleydrye.com

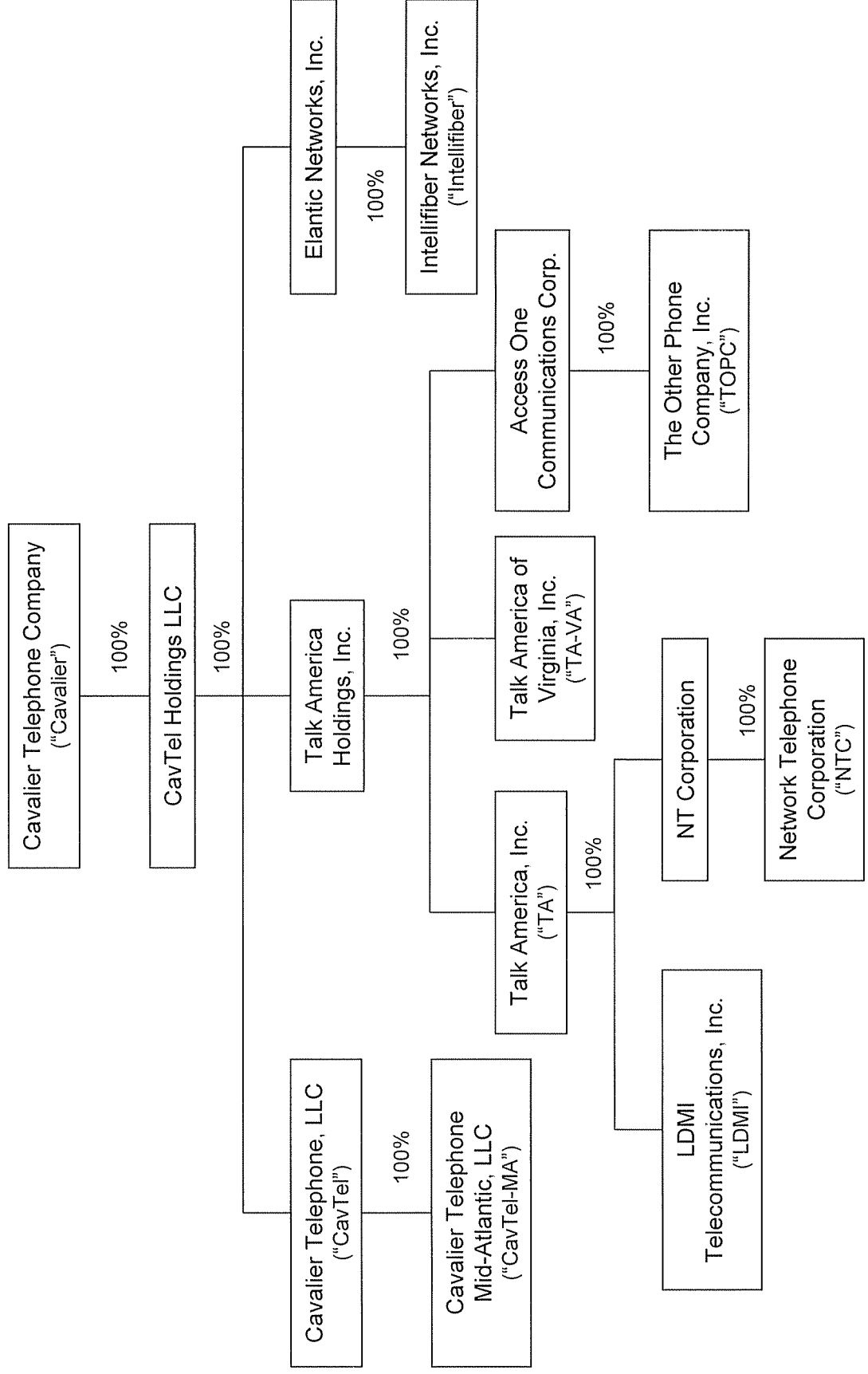
Counsel for Cavalier and the Cavalier Entities

Counsel for PAETEC Holding Corp.

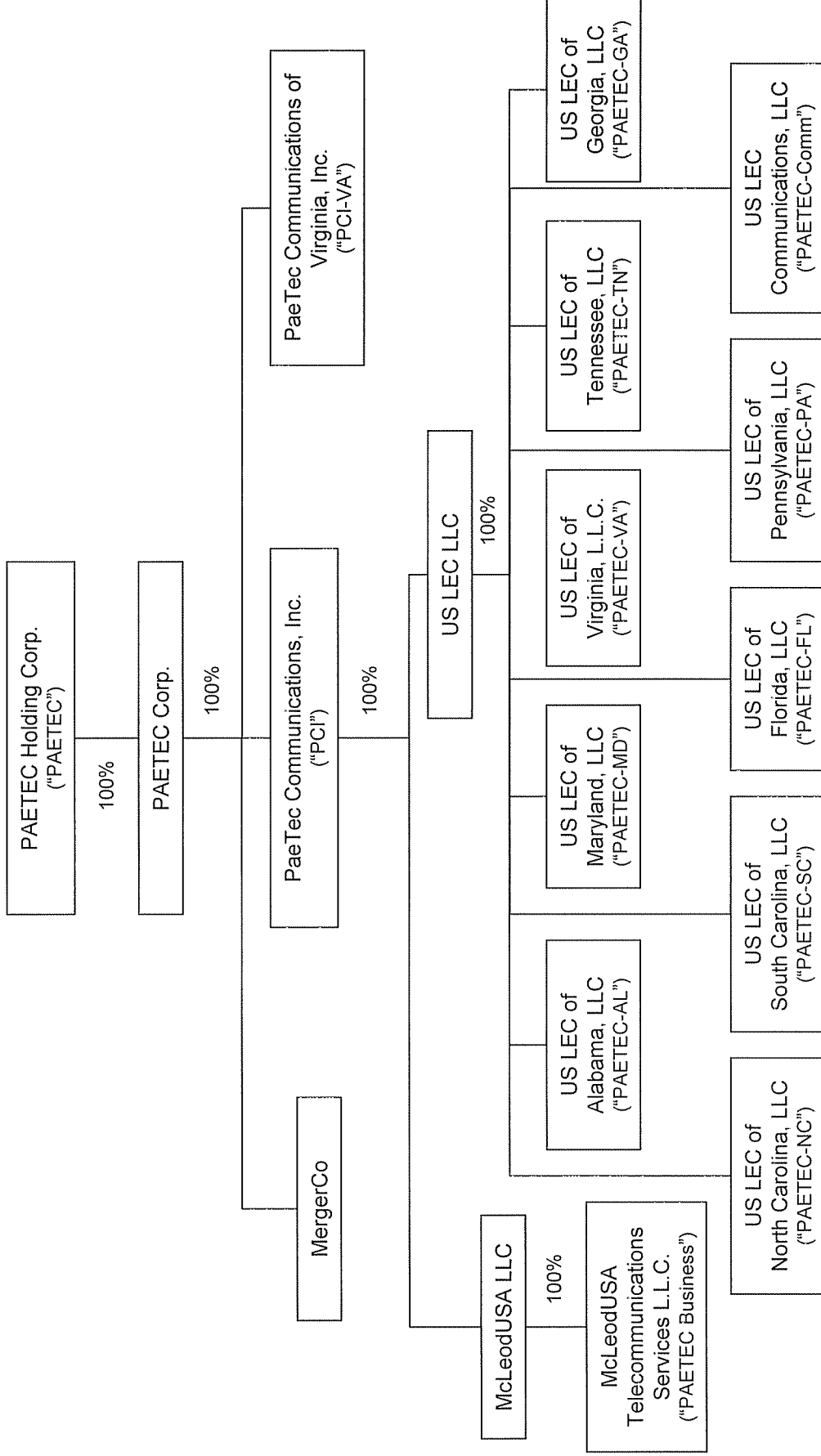
**EXHIBIT A**

**Chart of the Merger and  
the Pre- and Post-Transaction Corporate Organizational Structure**

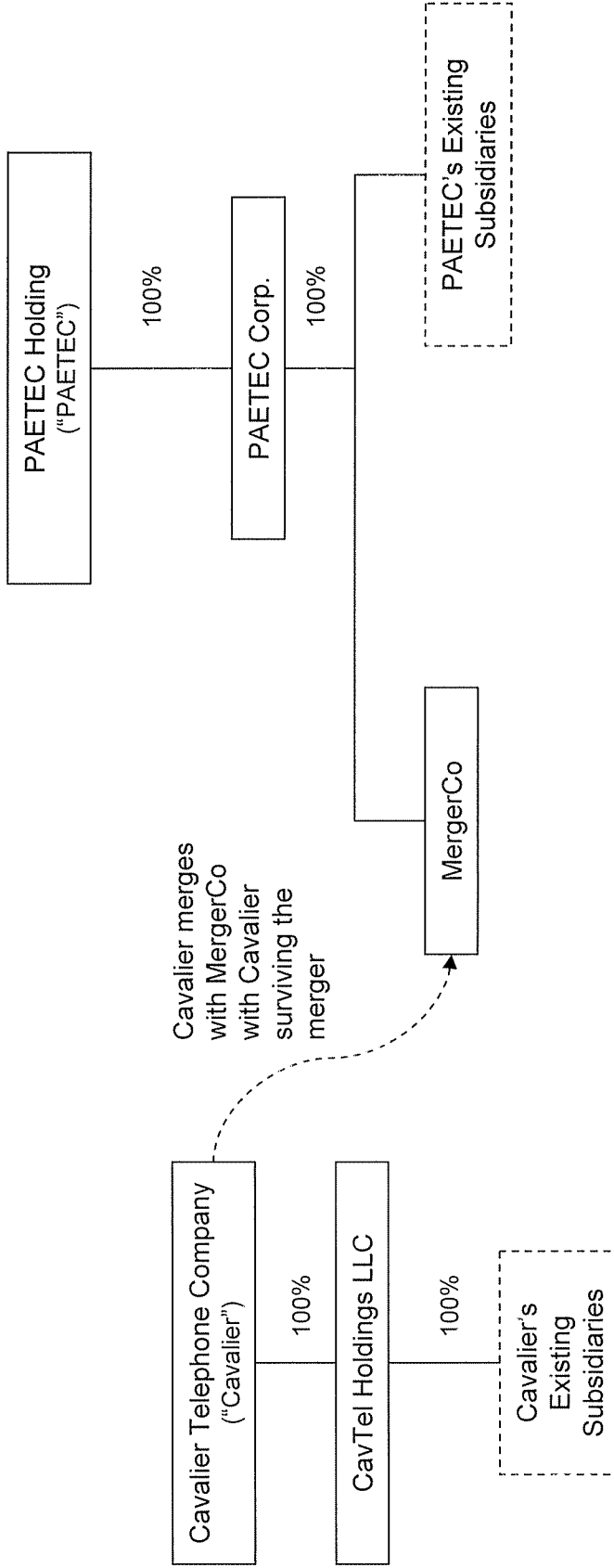
# Pre-Transaction Ownership of the Regulated Subsidiaries of Cavalier



# Pre-Transaction Ownership of the Regulated Subsidiaries of PAETEC

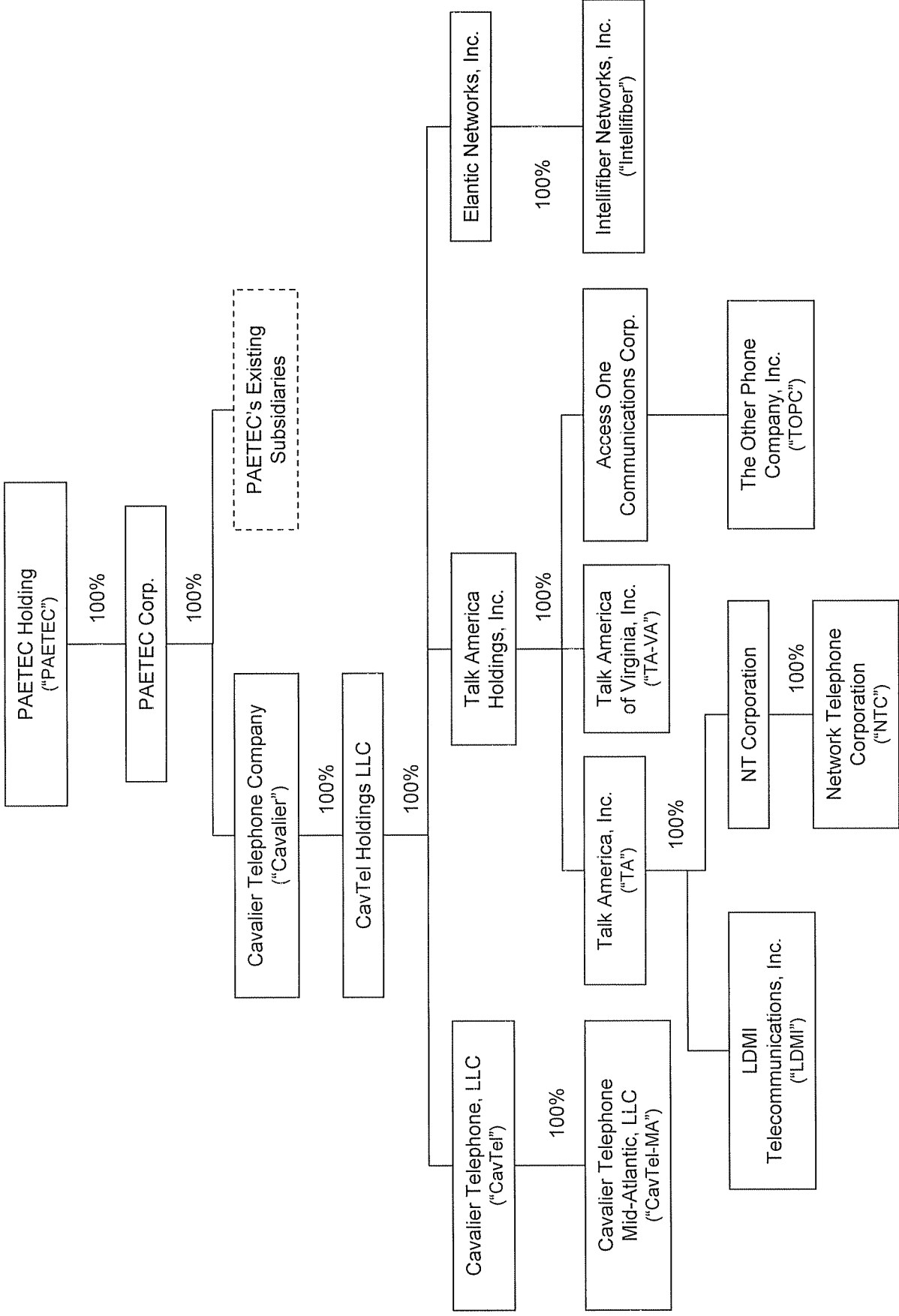


## Illustration of the Merger





# Post-Transaction Ownership of the Regulated Subsidiaries of PAETEC and Cavalier



## Verifications

**VERIFICATION**

STATE OF IOWA                   §  
  §  
COUNTY OF LINN               §

I, William A. Haas, state that I am Vice President Regulatory and Public Policy of PAETEC Holding Corp.; that I am authorized to make this Verification on behalf of PAETEC Holding Corp.; that the foregoing filing was prepared under my direction and supervision; and that the statements with respect to PAETEC Holding Corp and its subsidiaries in the foregoing document are true and correct to the best of my knowledge, information, and belief.

William Haas  
Name: Williams A. Haas  
Title: Vice President Regulatory and Public Policy  
PAETEC Holding Corp.

SWORN TO AND SUBSCRIBED before me on the 12 day of September, 2010.

Julia Redman-Carter  
Notary Public

My commission expires: April 7, 2011

