

- 1. REPORT DATE: 00/00/00
- 2. BUREAU: FUS
- 3. SECTION(S):
- 5. APPROVED BY: DIRECTOR: SUPERVISOR:
- 6. PERSON IN CHARGE:
- 8. DOCKET NO: A-310814 F2000
- 4. PUBLIC MEETING DATE: 00/00/00
- 7. DATE FILED: 09/26/07
- 9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT: PAETEC COMMUNICATIONS, INC

RESPONDENT/APPLICANT: US LEC OF PENNSYLVANIA INC

COMP/APP COUNTY:

UTILITY CODE: 310814

ALLEGATION OR SUBJECT

JOINT APPLICATION OF PAETEC COMMUNICATIONS, INC, AND US LEC OF PENNSYLVANIA, INC, FOR APPROVAL OF AN INTRA-CORPORATE MERGER WHEREBY US LEC WILL MERGE INTO PAETEC, WITH PAETEC BEING THE SURVIVING ENTITY (DOCKETED AT A-310743F0010) AND US LEC WILL ABANDON ITS CERTIFICATE OF PUBLIC CONVENIENCE AS A TELECOMMUNICATIONS PROVIDER TO THE PUBLIC IN THE COMMONWEALTH OF PA, DOCKETED AT A-310814F2000.....

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NOV 0 12007

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September 26, 2007

VIA OVERNIGHT DELIVERY

A-310814F2007

James J. McNulty, Secretary
Secretary's Bureau
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

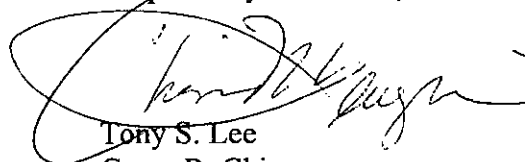
Re: Joint Application of PAETEC Communications, Inc., and US LEC of Pennsylvania Inc., for Approval of Intra-Corporate Merger and Cancellation of US LEC's Authority to Provide Telecommunications Service

Dear Mr. McNulty:

On behalf of PAETEC Communications, Inc., and US LEC Pennsylvania Inc., transmitted herewith are an original and three (3) copies of the above-referenced application for approval of an intra-corporate merger and cancellation of US LEC's authority to provide telecommunications service. Also enclosed is a check for \$350.00 to cover the requisite filing fee.

Please date-stamp the extra copy of this filing, and return it to us in the enclosed self-addressed stamped envelope. Should you have any questions with respect to this matter, please do not hesitate to contact the undersigned at (202) 344-4679.

Respectfully submitted,



Tony S. Lee
Grace R. Chiu
Christine McLaughlin

Counsel to PAETEC Communications, Inc., and
US LEC Communications Inc.

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Enclosures
cc: JT Ambrosi

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SEP 26 2007

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU



ORIGINAL

BEFORE THE PUBLIC UTILITY COMMISSION
FOR THE COMMONWEALTH OF PENNSYLVANIA

Joint Application of)
)
PAETEC COMMUNICATIONS., INC.)
)
and)
)
US LEC OF PENNSYLVANIA INC.)
)
For Approval of Intra-Corporate Merger)
and Cancellation of US LEC's Authority)
to Provide Telecommunications Service)
_____)

Docket No. A-310814F 2000

DOCKETED
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JOINT APPLICATION

PAETEC Communications, Inc. ("PAETEC") and US LEC of Pennsylvania Inc. ("US LEC") d/b/a PAETEC Business Services (collectively, "Applicants"), by their undersigned counsel, and pursuant to Section 1102 of the Pennsylvania Consolidated Statutes, 66 PA. CONS. STAT. § 1102, hereby request that the Commission approve a transaction whereby telecommunications companies affiliated by common ownership propose to merge and discontinue certain operations. Specifically, PAETEC and US LEC, which are both ultimately owned by PAETEC Holding Corp., propose to undergo a transaction whereby US LEC will be merged into PAETEC and will cease its separate corporate existence. Accordingly, Applicants respectfully request that the Commission (1) approve the proposed intra-corporate merger of PAETEC and US LEC, with PAETEC the surviving entity; and (2) effective upon completion of the intra-corporate merger, which is anticipated to occur on or about January 1, 2008, cancel US LEC's authorization to provide facilities-based and resold interexchange and competitive local exchange telecommunications services in the state of Pennsylvania.

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

As more fully described below, the proposed merger will result in a change in the service provider for US LEC's current customers, as those customers will become the customers of PAETEC. Applicants respectfully request that approval of this Application be granted no later than December 1, 2007, so that the parties may consummate the proposed transaction on or about January 1, 2008, to merge US LEC into PAETEC, and streamline the companies' operations.¹

In support hereof, Applicants state as follows:

I. THE PARTIES

A. PAETEC Communications, Inc.

PAETEC is a 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., which in turn is a wholly-owned subsidiary of PAETEC Holding Corp., a publicly traded Delaware corporation (NASDAQ: PAET). PAETEC Holding Corp. is the holding company of several subsidiaries, including the parties to this proceeding. Formed in 1998, PAETEC and its affiliates provide innovative communications solutions to medium and large businesses and institutions through a full line of telecommunications and Internet services, enterprise communications management software, security solutions, and managed services. The company offers personalized solutions that include a comprehensive suite of Voice over Internet Protocol (VoIP) services delivered over its Private-IP MPLS network.

In Pennsylvania, PAETEC is authorized to provide resold toll services, competitive local exchange services, competitive access, and a facilities-based interexchange services pursuant to

¹ PAETEC Holding Corp. has entered into a merger agreement with McLeodUSA Incorporated, whereby PAETEC Holding Corp. will acquire indirect control of McLeodUSA Telecommunications Services, Inc., a telecommunications company certificated to provide service in Pennsylvania. PAETEC Holding Corp. and McLeodUSA have filed or will file shortly a separate petition with the Commission regarding that transaction. Applicants therefore respectfully request that Commission staff process both applications concurrently, so that the benefits of the intra-corporate merger, may be realized as early as possible.

certification granted by the Commission on October 13, 1998, in Dockets No. A-310743, A-310743F0002, A-310743F0003, and A-310743F0004, respectively. PAETEC is also authorized to provide interexchange and/or competitive local exchange service 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.

Further information regarding PAETEC's technical, managerial, and financial qualifications to provide service was submitted with its application for authority to provide service in the state, and therefore, that information is a matter of public record. PAETEC respectfully requests that the Commission take official notice of that information, and incorporate it by reference herein.

B. US LEC OF PENNSYLVANIA INC.

US LEC, a North Carolina corporation, is a wholly owned subsidiary of US LEC Corp., which in turn is a wholly owned subsidiary of PAETEC Holding Corp. Both US LEC companies maintain their principal offices in Charlotte, North Carolina. US LEC Corp. is a leading provider of IP, data and voice solutions to business customers and enterprise organizations throughout the Eastern United States. Members of the US LEC family of companies are currently authorized to provide resold and/or facilities-based telecommunications services in 43 states and the District of Columbia pursuant to certification, registration or tariff requirements, or on a deregulated basis.

In Pennsylvania, US LEC is authorized to provide resold toll services, competitive local exchange service, and a facilities-based interexchange service pursuant to certification granted by the Commission on August 12, 1999, in Dockets No. A-310814, A-310814F0002, and A-310814F0003, respectively.. Further information regarding US LEC's legal, technical,

managerial and financial qualifications to provide service was submitted with its applications for certification. Such information therefore is already a matter of public record, and Applicants request that it be incorporated by reference herein.

US LEC and its affiliates provide local exchange services in Alabama, Delaware, the District of Columbia, Florida, Georgia, Indiana, Kentucky, Louisiana, Maryland, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, and Virginia. US LEC operating subsidiaries are also authorized by the Federal Communications Commission to provide international and domestic interstate services as nondominant carriers. By Order entered November 9, 2006, PAETEC Holding Corp. received approval from the Commission to acquire US LEC in Docket No. A-310814F0004. US LEC is now an indirect wholly-owned subsidiary of PAETEC Holding Corp.

II. DESIGNATED CONTACTS

All matters related to this Application, including all inquires, correspondence, communications, pleadings, notices, orders, and decisions, should be addressed to the following:

Tony S. Lee
Grace R. Chiu
Venable LLP
575 7th Street, N.W.
Washington, DC 20004
Tel: (202) 344-4000
Fax: (202) 344-8300
E-mail: tslee@venable.com
grchiu@venable.com

III. DESCRIPTION OF THE INTRA-CORPORATE MERGER

By way of background, in 2006, PAETEC Holding Corp. and US LEC Corp. previously agreed to merge, in order to expand their telecommunications operations in a cost-efficient manner, thereby enhancing the combined company's competitive position and ability to provide integrated telecommunications services to customers in Pennsylvania as well as other states.

After receiving approval from the Commission and other state regulatory agencies, PAETEC Holding Corp. and US LEC Corp. consummated the transaction, and PAETEC Holding Corp. became a publicly traded company. Both PAETEC and US LEC are now indirect wholly-owned subsidiaries of PAETEC Holding Corp.

While the companies have started the process of streamlining and integrating their operations, the companies continue to maintain separate billing systems, customer service operations, and other internal processes that are largely duplicative. In order to eliminate redundancies and inefficiencies, and to further streamline company operations, the parties have determined that they should consolidate their administrative and business operations into a unified system. To that end, Applicants propose to merge US LEC into PAETEC, with PAETEC surviving and serving all of US LEC's current customers. Post-transaction, it is anticipated that PAETEC Corp. and US LEC Corp. will hold a 70% and 30% interest in PAETEC, respectively.² A diagram depicting the proposed transaction is attached hereto as Exhibit A.

Following the merger, ultimate ownership and control of US LEC's business will continue to reside in PAETEC Holding Corp. PAETEC will provide telecommunications services to US LEC's current customers pursuant to authority granted to PAETEC by the Commission. The rates, terms, and conditions of service will be provided pursuant to existing US LEC contracts assumed by PAETEC, or pursuant to PAETEC's tariffs. There will be no immediate changes to the rates and services provided to US LEC's existing customers, and upon expiration of any service contracts with those customers, they will have the option to continue service with PAETEC pursuant to its then-current rates, terms, and conditions or other negotiated

² The final percentages to be held by PAETEC Corp. and US LEC Corp. may vary from the estimates provided herein; however, any such change will not be material. In particular, PAETEC Corp. will continue to own a controlling share of PAETEC at all times before and after the merger. Both PAETEC Corp. and US LEC Corp. will remain wholly owned subsidiaries of PAETEC Holding Corp.

agreements, or to select service from another telecommunications service provider. The proposed merger will be completely seamless to US LEC's existing customers in terms of the services they currently receive. Applicants will provide US LEC customers with at least 30 days' advance subscriber notice of the merger prior to completion of the transaction. A copy of the form of customer notice is attached hereto as Exhibit B.

Because the parties are managed by the same team of well-qualified officers and directors, key personnel in charge of the companies' operations will not change as a result of the proposed merger and discontinuance. PAETEC's management, which oversees US LEC's current operations, will ensure that US LEC's customers continue to receive high quality and innovative services before and after the transition. Affected customers will receive the same services from PAETEC that they currently receive from US LEC, and PAETEC will continue to provide services pursuant to its own certificate of authority, as referenced above.

To accomplish the proposed corporate restructuring, prior state regulatory approval is required in several states in addition to Pennsylvania. However, US LEC must retain its authorization to provide service in Pennsylvania until all approvals are obtained and the merger is completed. Premature cancellation of US LEC authorization to provide telecommunications service in Pennsylvania could lead to unintended disruptions in service until the merger is completed. Accordingly, Applicants request that cancellation of *US LEC's certificate become effective upon completion of the intra-corporate merger*, which is anticipated to occur on or about January 1, 2008, to ensure that US LEC can provide continuous uninterrupted service to the public following Commission approval of this Application, and prior to completion of the proposed merger.

IV. REQUEST FOR CANCELLATION OF CERTIFICATE

As described in the preceding section, upon completion of the intra-corporate merger. US

LEC will cease to exist. US LEC is authorized to provide resold toll services, competitive local exchange service, and a facilities-based interexchange service; upon completion of the merger, US LEC's certificates to provide such services should be cancelled. To the extent necessary to accomplish the cancellation of those certificates, US LEC hereby formally requests authority to abandon all services currently provided by it in Pennsylvania.

US LEC currently serves approximately 7,430 customers in Pennsylvania. Please be advised, however, that no customer's service actually will be discontinued. PAETEC, which will be the surviving corporation, is already authorized in Pennsylvania to provide all of the services currently provided by US LEC, and it will continue to provide those services to US LEC's customers (as well as its own current customers) following completion of the merger.

For the same reason, none of US LEC's assigned NXX codes will be affected by its proposed cancellation of its certificates. The surviving corporation will continue US LEC's operations, and will retain all NXX codes currently assigned to US LEC.

Finally, since the operations of US LEC will continue uninterrupted following the intra-corporate merger and will simply be taken over by its surviving sister company, no actions with respect to 911 services are necessary to ensure that all customers will continue to have 911 access. Nonetheless, the Applicants will provide all notices to appropriate municipal/city authorities regarding 911 services which may be necessary for their records.

V. PUBLIC INTEREST CONSIDERATIONS

The primary objective of the merger is to achieve greater corporate efficiencies by eliminating duplicative billing systems, customer service operations, and other internal processes maintained by the parties. The proposed transaction will serve the public interest by combining and fully integrating the financial resources and complementary operating, technical, and managerial strengths of PAETEC and US LEC to better serve the companies' constituent

subscribers. Applicants anticipate that the proposed transaction will result in a more efficient company better equipped to accelerate its growth as a competitive telecommunications provider. The transaction will enable PAETEC to strengthen its competitive position in Pennsylvania by enabling the company to achieve economies of scale and efficiencies of operation, with opportunities to enhance service quality and expand service offerings, which will inure to the benefit of consumers through improved service. Thus, approval of the instant Application will ensure continued provision of high quality, affordable telecommunications services to existing customers, and promote competition in the Pennsylvania telecommunications services market by offering consumers a cost effective and competitive alternative. Therefore, grant of this Application is in the public interest.

VI. REQUEST FOR EXPEDITED REVIEW

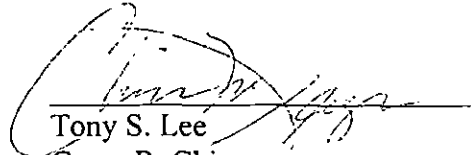
Applicants submit that expeditious grant of this Application is appropriate given that: (1) the transaction is an intra-corporate merger involving companies under common ownership and control; (2) the surviving entity, PAETEC, holds authority from this Commission that is equal to or greater than that granted to US LEC; and (3) approval of the merger is in the public interest. Applicants therefore respectfully request that this Application be considered and ruled on by the Commission no later than December 1, 2007.

VII. CONCLUSION

WHEREFORE, for the foregoing reasons, Applicants submit that the information provided herein demonstrates that the public interest, convenience, and necessity would be served by grant of the instant Application. Accordingly, Applicants respectfully request that the Commission approve the Joint Application no later than December 1, 2007, to (1) permit the parties to complete the proposed intra-corporate merger of PAETEC and US LEC, with PAETEC the surviving entity; (2) cancel US LEC's authorizations to provide facilities-based and

resold interexchange and competitive local exchange telecommunications services in Pennsylvania upon completion of the intra-corporate merger, which is anticipated to occur on or about January 1, 2008; and (3) grant all other relief as necessary and appropriate to effectuate the transaction described herein.

Respectfully submitted,



Tony S. Lee

Grace R. Chiu

Christine McLaughlin

VENABLE LLP

575 7th Street, N.W.

Washington, DC 20004

Tel: (202) 344-4000

Fax: (202) 344-8300

E-mail: tslee@venable.com

grchiu@venable.com

cmclaughlin@venable.com

Date: September 26, 2007

EXHIBITS

Exhibit A Pre/Post-Merger Corporate Structure

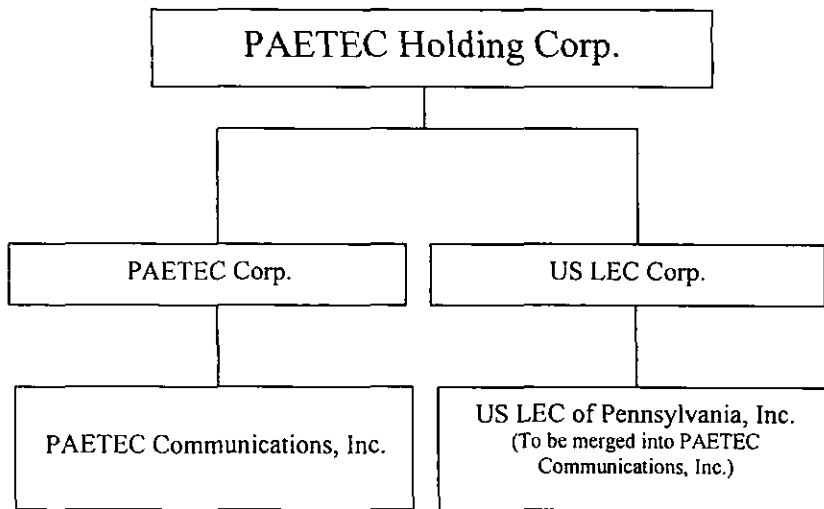
Exhibit B Form of Customer Notification

Verification

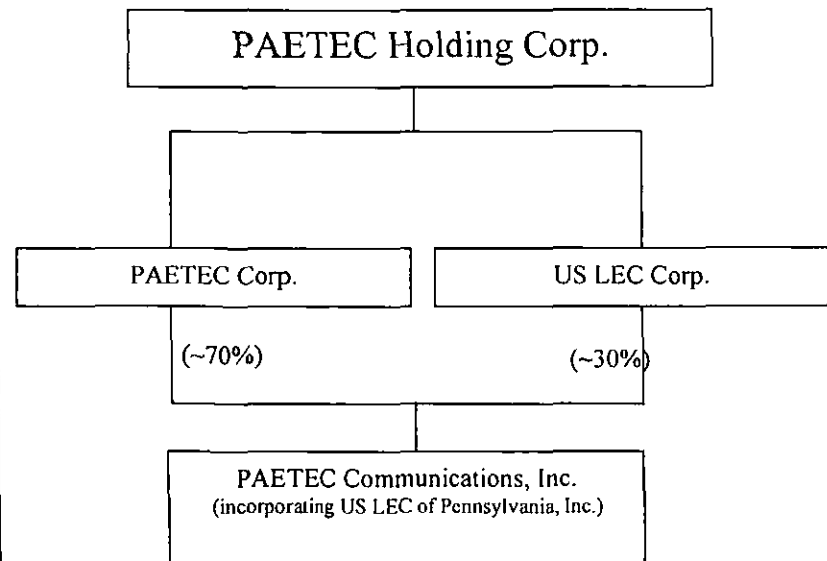
EXHIBIT A

Pre/Post-Merger Corporate Structure*

Pre-Merger Corporate Structure



Post-Merger Corporate Structure



*Unless otherwise stated, links indicate 100% ownership interest

EXHIBIT B

Form of Customer Notification



PAETEC

US LEC - PAETEC MERGER

Dear Valued Customer:

As you have likely heard, the US LEC company currently serving you¹ became part of the PAETEC family in March 2007, and now does business under the name "PAETEC Business Services." In order to simplify PAETEC's corporate structure and maximize the benefits that we offer you, we are now planning to merge your US LEC company and its affiliates into a single unified company, PAETEC Communications, Inc. ("PAETEC"). We expect this change to occur on or about January 1, 2008, pending all necessary regulatory approvals. Because this will technically result in a transfer of your service to another provider, we are required to provide certain information to you.

US LEC and PAETEC will work to ensure that the transfer of your services to PAETEC is seamless and transparent to you. Your current services will continue to be provided under the same rates, terms, and conditions that you currently enjoy with US LEC. Your service agreement with US LEC will remain in force, and will be honored by PAETEC. Your account manager will remain the same. You will be notified of any future changes in rates, terms, and conditions of service as required by law; however, no such changes are anticipated. PAETEC will be responsible for handling any questions or issues prior to and during the transfer. PAETEC will also be responsible for any carrier change charges that may be associated with the transfer. If you have placed a "freeze" on the current services, the freeze will be lifted (if needed) and your services will be transferred to PAETEC. As the service subscriber you must contact your local service provider if such provider is not PAETEC, to re-establish freeze protection for your services after the date of final transfer.

As always, you have the right to choose a different carrier for your services. If you do take steps to transfer your service to a different carrier you will need to make sure that the new service is ordered and provisioned no later than December 31, 2007. Please note that choosing to terminate services may result in early termination charges being assessed per your US LEC contract. If you are a customer of US LEC on the date of the transfer and you have not informed US LEC that you have made arrangements to switch to a carrier other than PAETEC, your services will automatically be transferred to PAETEC.

US LEC and PAETEC are committed to providing you with outstanding customer service, as well as personalized business solutions aimed to meet all of your communications needs. We look forward to continuing the mutually beneficial relationship that you have built with US LEC. If you have any questions, please do not hesitate to contact your account team to learn more about our company and service offerings. Please call us toll free at 1-877-340-2600 or visit the PAETEC website at www.paetec.com.

Cordially,

John Baron

Chief Marketing and Training Officer and Executive Vice President

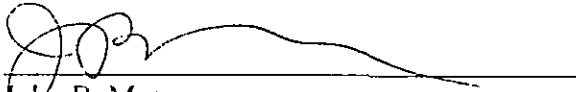
¹ Our records indicate that you are served by one or more of the following companies: US LEC COMMUNICATIONS INC.; US LEC OF ALABAMA INC.; US LEC OF FLORIDA INC.; US LEC OF GEORGIA INC.; US LEC OF MARYLAND INC.; US LEC OF NORTH CAROLINA INC.; US LEC OF PENNSYLVANIA INC.; US LEC OF SOUTH CAROLINA INC.; US LEC OF TENNESSEE INC.; and US LEC OF VIRGINIA L.L.C.

VERIFICATION

VERIFICATION

STATE OF NEW YORK §
 §
COUNTY OF MONROE §

I, John B. Messenger, hereby verify under penalty of perjury that I am Vice President and Assistant Secretary of PAETEC Communications, Inc.; that I am authorized to make this verification on behalf of the company; that I have read the foregoing document and know the contents thereof; and that the same are true of my own knowledge, except to those matters therein stated upon information and belief, and as to those matters I believe them to be true.



John B. Messenger
Vice President and Assistant Secretary
PAETEC Communications, Inc.

Subscribed and sworn to before me on this 24 th day of September, 2007.



My commission expires: 11/30/10

KAREN F. FERRINI
Notary Public, State of New York
No. 4765653
Qualified in Monroe County 2010
Commission Expires Nov. 30, _____

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P. O. BOX 3265, HARRISBURG PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE
Secretary
717-772-7777

November 1, 2007

A-310743F0010
A-310814F2000

TONY S LEE ESQUIRE
GRACE R CHIU ESQUIRE
CHRISTINE MCLAUGHLIN ESQUIRE
VENABLE LLP
575 7TH STREET NW
WASHINGTON DC 20004

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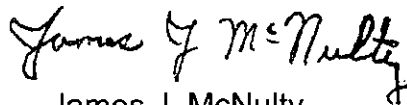
Dear Ms. McLaughlin:

Receipt is acknowledged of the Joint Application of PAETEC Communications, Inc and US LEC of Pennsylvania, Inc, for approval of an Intra-Corporate Merger whereby US LEC will merge into PAETEC and US LEC will abandon, which has been captioned and docketed to the above numbers.

You are required to file a copy of the application upon the Office of Consumer Advocate, the Office of Small Business Advocate, and the Office of Attorney General, and file proof of such service with this Commission. For your convenience, enclosed is a certificate of service for you to sign and return to us upon service to those Offices.

This matter will receive the attention of the Commission and you will be advised of any further necessary procedure.

Sincerely,


James J. McNulty
Secretary

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FOLDER

JJM:ddt

c: Joan Smith, Bureau of Consumer Services

DATE: November 1, 2007

SUBJECT: A-310743F0010
A-310814F2000

TO: Bureau of Fixed Utility Services

FROM: James J. McNulty, Secretary *ddt*

DOCKETED

NOV 0 1 2007

**JOINT APPLICATION OF PAETEC COMMUNICATIONS,
INC AND US LEC OF PENNSYLVANIA, INC**

We attach hereto a copy of the Joint Application of Paetec Communications, Inc, and US LEC of Pennsylvania, Inc, for approval of an Intra-Corporate Merger of US LEC into Paetec, and for US LEC to abandon, which has been captioned and docketed to the above numbers.

The Applicant has been instructed to file a copy of the application upon the Office of Consumer Advocate, the Office of Small Business Advocate, and the Office of Attorney General, and file proof of such service with this Commission.

May we have a report prepared by your Bureau for Public Meeting.

Attachment

cc: Law Bureau

ddt

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