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January 14, 2002

VIA FEDERAL EXPRESS

Ms. Stephanie Bell
Executive Secretary
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

0513950-0510
2225139S-0505

Re: Request to Cancel the Authorization of Net2000 Communications Services, Inc. to Provide Telecommunications Services

Dear Ms. Bell:

Per the instructions of Net2000 Communications Services, Inc. ("Net2000"), we hereby respectfully request, on its behalf, that the Kentucky Public Service Commission ("Commission") cancel Net2000's certification to provide interexchange service within Kentucky and any associated tariffs. This request for cancellation of Net2000's authority is being made consistent with the directions of the U.S. Bankruptcy Court for Delaware.[1] Net2000 received authorization to provide interexchange service in Kentucky on June 26, 1998. As discussed hereafter, pursuant to the orders of the Bankruptcy Court, Net2000 is in the process of transferring all of its network assets and customers to Cavalier Telephone Corporation ("Cavalier") and expects to discontinue providing services on or around *January 21, 2002*.

Net2000, located at 2180 Fox Mill Road, Herndon, Virginia 20171, provides broadband voice and data telecommunications services. The company provides business customers with

[1] Net2000 Communications, Inc. and its subsidiaries, including Net2000 Communications Services, Inc., filed for bankruptcy law protection on November 16, 2001 in the U.S. Bankruptcy Court for Delaware, and currently operate as debtors-in-possession pursuant to Chapter 11 of the U.S. Bankruptcy Code. *See* Case No. 01-11324.

long distance, data, interactive video and Internet services. Net2000 operates network facilities in nine markets. It provides service on a purely resale basis elsewhere.

Founded in 1993, Net2000 grew quickly and enjoyed early success. The sudden collapse in the capital markets for technology companies, as exacerbated by the tragic events of September 11, 2001, however, unexpectedly denied Net2000 the access to capital required for the continued operation and expansion of its business. As a result, on November 16, 2001, Net2000 filed a petition pursuant to Chapter 11 of the U.S. Bankruptcy Code seeking the protection of the U.S. Bankruptcy Court for Delaware while Net2000 disposes of its assets and reassigns its customer base in an orderly fashion. As a prelude to its bankruptcy court filing, Net2000 negotiated to sell substantially all of its assets to Cavalier.

Cavalier is a telecommunications carrier that already provides high quality local and long distance telecommunications services to thousands of consumers. The company utilizes state-of-the art telecommunications facilities and is led by an able and experienced team of management and technical personnel. Cavalier has determined that the acquisition of Net2000's assets will enable it to significantly expand its operations in a cost-effective manner, thereby enhancing its competitive position and ability to provide an array of high quality telecommunications services to the public. Net2000, in turn, has decided to undertake the transaction with Cavalier to preserve the maximum possible value for Net2000's creditors and ensure that its customers continue to receive the same reliable, high quality telecommunications services to which they are accustomed. Accordingly, Cavalier and Net2000 have entered into an Asset Purchase Agreement whereby Cavalier will purchase substantially all of Net2000's telecommunications assets, including the operations and existing customer base associated therewith ("Agreement"). Cavalier has stated that it has no immediate plans to alter rates or other terms of service for former Net2000 customers materially. The proposed transaction was approved by the Bankruptcy Court on December 27, 2001.

Importantly, to ensure a seamless transition and avoid customer confusion or inconvenience, Net2000 and Cavalier gave written notice to Net2000's customers of the proposed transfer date, explaining the change in service provider. Some notification letters were sent on November 29, 2001, and others on December 17, 2001. All customers received one version or the other. The customer notices comply with the Federal Communications Commission's ("FCC's") requirements for changing a customer's presubscribed carrier pursuant to Section 64.1120(e) of the FCC's Rules and for discontinuing service pursuant to Section 63.71 of the FCC's Rules.

As the Commission is acutely aware, Net2000 is not alone in suffering recent financial hardship, which has plagued virtually the entire competitive telecommunications carrier community. Many other competitive carriers preceded Net2000 to the bankruptcy courts; examples include Teligent, Picus, Winstar, e.spire, ICG, NorthPoint, Telergy and Covad. Other new entrants have reported that they are substantially scaling back their respective operations or expansion plans. This sudden reversal in the fortunes of so many new entrants has been caused by the recent general collapse in the capital markets for technology companies, a reduction in demand for telecommunications services attributable to the recession as exacerbated by the September 11 tragedy, and a generally hostile change in the federal regulatory and legislative climate.

Net2000's intention to discontinue service is not discretionary on its part. Due to its financial condition, the company simply lacks sufficient cash to continue providing service for more than a few weeks, even operating with the benefit of bankruptcy court protection. *In addition, with the entry of the Bankruptcy Court's order on January 10, 2002, Net2000 is obligated under federal law to close the Transaction and transfer its assets according to the schedule prescribed therein in order to provide the maximum possible protection to creditors.*

The company has worked in good faith to ensure that its customers will not be adversely affected. All customers have been given a minimum of 30 days advance written notice of the imminent discontinuance of service by Net2000, and the company's plans to sell its accounts to Cavalier. Each such customer was informed that, thereafter, its service would be provided by Cavalier or a designee or assignee of Cavalier to be named. Obviously, affected customers have the option of arranging substitute service or accepting the service offered by Cavalier or its designee. Customers who elect to remain will initially receive service at the same rates, terms and conditions offered by Net2000.

Obviously, Net2000 would have preferred to remain in business itself, or at least have had an opportunity for a more prolonged transition plan. Unfortunately, business conditions simply do not permit either. Thus, the company has attempted in good faith to craft and implement a plan that protects the legitimate interests and expectations of its customers and creditors to the maximum extent reasonably feasible within the confines of its pending bankruptcy proceeding.

Significantly, under the terms of the Bankruptcy Court order, Net2000 is *compelled* to close its transaction with Cavalier and transfer its assets to Cavalier no later than the effective date of the FCC's approval of Net2000's discontinuance of service (projected to be *January 21, 2002). Specifically, Paragraph 22 of the Bankruptcy Court's order issued on January 10, 2002 states: "The Debtors [Net2000] are hereby ordered to immediately transfer the customers and other assets subject to the [Asset Purchase] Agreement to the Purchaser [Cavalier] as of (i) the Closing Date or (ii) to the extent applicable, the receipt of all requisite approvals of the Federal Communications Commission for the discontinuance of service by the Debtors and transfer of affected customers to the Purchaser."* With the entry of the Bankruptcy Court's order, Net2000 is obligated under federal law to close the transaction with Cavalier, including the transfer of its customers and other assets.

Accordingly, Net2000 respectfully requests that the Commission cancel its authorization to provide telecommunications services in Kentucky no later than January 22, 2002.

Enclosed please find an original, four (4) copies and duplicate of this letter. Please date-stamp the duplicate upon receipt and return it in the self-addressed postage-paid envelope provided.

Respectfully submitted,

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Enclosures

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