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December 23, 1998

Ms. Blanca Bayo
Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

982004-TI

Re: **NET2000 GROUP, INC.'s Corporate Reorganization,
Name Change and Guarantee of Certain Debt Obligations**

Dear Ms. Bayo:

Net2000 Group, Inc. ("Net2000"), Net2000 Communications, Inc. ("Net2000 Communications"), Net2000 Communications Holdings, Inc. ("Net2000 Holdings"), Net2000 Communications Group, Inc. ("Net2000 Communications Group") and Ntel Communications LLC ("Ntel")(collectively, the "Applicants" or the "Net2000 Companies"), by their attorneys, hereby respectfully notify the Florida Public Service Commission ("Commission") *nunc pro tunc* of a corporate reorganization resulting in the pro forma transfer of control of Net2000, a telecommunications service provider in Florida, from its current shareholders to Net2000 Communications, which was completed on November 1, 1998. The reorganization was a critical element in the completion of a financing agreement with Northern Telecom, Inc. ("Nortel") which

provided the Net2000 Companies with capital necessary to sustain and expand their on-going operations. Absent this infusion of capital, the Net2000 Companies would have had extreme difficulty maintaining their operations. Therefore, although the Parties seriously regret that they were unable to notify the Commission of the reorganization prior to its completion, time was of the essence in light of their financing needs. Thus, they notify the Commission of the reorganization *nunc pro tunc*. Importantly, as Net2000 Communications is the ultimate corporate parent of the Net2000 Companies, and the former shareholders of Net2000 are the majority shareholders of Net2000 Communications, *there has been no material change in the ultimate ownership of Net2000.*

Pursuant to the above-mentioned financing transaction with Nortel, Net2000 and Ntel will be required to execute guarantees of the debt. *These guarantees will not be executed by Net2000 or Ntel until all regulatory approvals related to this indebtedness have been obtained.*

Finally, Net2000 also notifies the Commission of its intention to change its name from "Net2000 Group, Inc." to "Net2000 Communications Services, Inc."

The Parties

1. Net2000 is a privately held Delaware corporation headquartered at 8180 Greensboro Drive, Suite 500, McLean, Virginia 22102. Net2000 operates as a reseller of "1+" interexchange services in 42 states, including Florida.¹ In addition, Net2000 provides local resale

¹ Net2000 received its authority to provide telecommunications services in Florida on April 18, 1998 in Docket No. 971583-T1.

services in 8 states. Net2000 also is authorized by the Federal Communications Commission ("FCC") to provide both interstate and international telecommunications services.

2. Net2000 Communications is a recently incorporated privately held Delaware corporation. Net2000 Communications, like all of the Net2000 Companies, is headquartered at 8180 Greensboro Drive, Suite 500, McLean Virginia 22102. Net2000 Communications is the ultimate corporate parent of the Net2000 Companies and functions as a holding company. The shareholders that control Net2000 Communications are the same shareholders that formerly controlled Net2000 directly.

3. Net2000 Holdings also is a recently incorporated privately held Delaware corporation headquartered in McLean, Virginia. Net2000 Holdings functions as a holding company exclusively. It is a wholly owned subsidiary of Net2000 Communications and the corporate parent of Net2000 Communications Group.

4. Net2000 Communications Group is another recently incorporated privately held Delaware corporation headquartered in McLean, Virginia. Net2000 Communications Group functions exclusively as a holding company, holding the stock of the Net2000 Companies' three operations subsidiaries, including Net2000. Net2000 Communications Group is a wholly owned subsidiary of Net2000 Holdings. Net2000 Communications Group is the direct corporate parent of Net2000.

5. Ntel, a Virginia corporation, is headquartered with the Net2000 Companies at 8180 Greensboro Drive, Suite 500, McLean, Virginia 22102. Ntel is a provider of local telecommunications services in Maryland, Virginia and the District of Columbia. Although the

owners of Net2000 also controlled Ntel prior to the reorganization, Ntel was not then directly affiliated with Net2000. As a result of the reorganization, however, Ntel is a wholly owned subsidiary of Net2000. Ntel will change its name to "Net2000 Communications of Virginia, LLC."²

6. The Applicants respectfully request that the Commission update its records with reference to Net2000 to reflect that Mr. Karp is the individual to whom all notices, correspondence, inquiries and complaints regarding Net2000's operations in Florida should be forwarded.

The Reorganization

7. Pursuant to the corporate reorganization, Net2000 has become a wholly owned subsidiary of Net2000 Communications Group. Net2000 Communications Group is a wholly owned subsidiary of Net2000 Holdings, which itself, is a wholly owned subsidiary of Net2000 Communications. The ultimate ownership and control of Net2000, therefore, resides with Net2000 Communications and its shareholders. As the shareholders of Net2000 Communications are the same shareholders that controlled Net2000 before the reorganization, the reorganization did not effectuate a material change in control of Net2000. A copy of the final corporate organizational structure for the Net2000 companies is appended hereto as *Attachment A*.

8. The operations and management of Net2000 are unaffected by the reorganization. Thus, the reorganization has been transparent to consumers in Florida and has not adversely affected

² Ntel does not operate in Florida; however, Ntel also will function as a guarantor of the debt incurred by Net2000 Communications Group, as described in greater detail below.

the provision of telecommunications services in Florida. Net2000's customers continue, and will continue, to be able to purchase the same high quality services at competitive rates that they previously purchased.

9. The reorganization also has no impact whatsoever on Net2000's tariffs. Thus, Net2000 continues, and will continue, to provide the same service offerings, rates, terms and conditions as it offered previously, and will introduce new service offerings over time.

The Change of Name

10. In furtherance of the reorganization, Net2000 will change its name to "Net2000 Communications Services, Inc." The Applicants are in the process of registering this name change with the appropriate authorities. A copy of Net2000's amended Articles of Incorporation is appended hereto as *Attachment B*. A copy of its amended Certificate of Qualification will be forwarded as soon as it is available.

11. This name change will reinforce the brand identity that the Net2000 companies are developing. Most importantly, it will clearly identify Net2000 as a provider of communications services, which will minimize customer confusion.

12. Net2000 will amend its tariff as necessary to reflect the name change.

13. Net2000 respectfully requests that the Commission take notice of the name change and amend its records accordingly.

Associated Financing Transactions

14. Pursuant to the terms of a Credit Agreement dated November 2, 1998, Net2000 Communications Group (the "Borrower"), Nortel and several other lenders (collectively the "Lenders") have entered into a five year, \$120 million Advancing Term Loan Facility (the "Term Loan") and a five year, \$20 million Revolving Credit/Term Loan Facility (the "Revolving Credit"). The proceeds of these loans will be used to finance a portion of Net2000 Communications Group's costs to purchase Nortel equipment and services. The Term Loan and the Revolving Credit are secured by a Security Agreement and a Pledge Agreement whereby each of the direct and indirect subsidiaries of the Borrower, including Net2000 and Ntel, as well as the parent of the Borrower, Net2000 Holdings, will pledge all of their stock and assets to Nortel. Importantly, these agreements are subject to a Supplemental Agreement which prevents the pledge of stock and assets of Net2000 and Ntel until all regulatory requirements have been met.

15. The Net2000 Companies are financially strong and have the financial wherewithal to effectively manage this debt. Although Net2000 has only been operating as a telecommunications provider since 1997, Net2000 served as Bell Atlantic's leading volume distributor of local exchange network services and one of the top RBOC agents in the United States from 1993 to 1997. In that time, Net2000 developed a customer base of over 1,200 clients which represent more than \$100 million in underlying annual local and long distance revenues.

16. Allowing Net2000 to pledge its stock and assets to Nortel will not interfere with Net2000's ability to provide excellent service to its customers. The additional capital provided under the Credit Agreement will enhance the ability of Net2000 and its affiliates to compete in the

market for telecommunications services in Florida by giving them access to the financial resources they need to introduce new products and services.

17. The Parties respectfully request that the Commission take notice of this transaction for its records.

Public Interest Analysis

The corporate reorganization, name change and financing transactions described herein are in the public interest. The reorganized company will be more efficient, effective and better able to compete in the market for telecommunications services in Florida. Moreover, the infusion of capital described herein will enable the Net2000 Companies to expand their operations in Florida and elsewhere, allowing them to offer new and improved service to consumers. The reorganization ultimately will enable Net2000 to better serve existing and future customers and will enhance competition in the telecommunications market in Florida.

Conclusion

It is the Parties' understanding that prior Commission approval is not required to consummate the transactions described here. If this understanding is incorrect, the Parties respectfully request that the Commission notify them within thirty (30) days of this letter. Absent written notice to the contrary within 30 days of this letter, the Parties will assume that their understanding is correct and will proceed with their plans as contemplated

Respectfully submitted,

NET2000 GROUP, INC., NET2000 COMMUNICATIONS, INC., NET2000
COMMUNICATIONS HOLDINGS, INC., NET2000 COMMUNICATIONS
GROUP, INC., AND NTEL COMMUNICATIONS LLC

By: Marieann Z. Machida

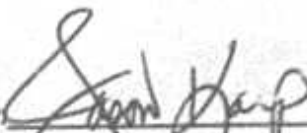
Brad E. Mutschelknaus
Marieann Z. Machida
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W., Suite 500
Washington, D.C. 20036

Their Attorneys

Dated: December 23, 1998

VERIFICATION

I represent NET2000 Communications, Inc. and each of its subsidiaries and am authorized to make this statement on their behalf. The information in the foregoing document is true and correct to the best of my knowledge, except such information as is stated therein upon information and belief. As to that information, I believe it also to be true. I so declare under penalty of perjury.

By: 

Name: JASON KARP

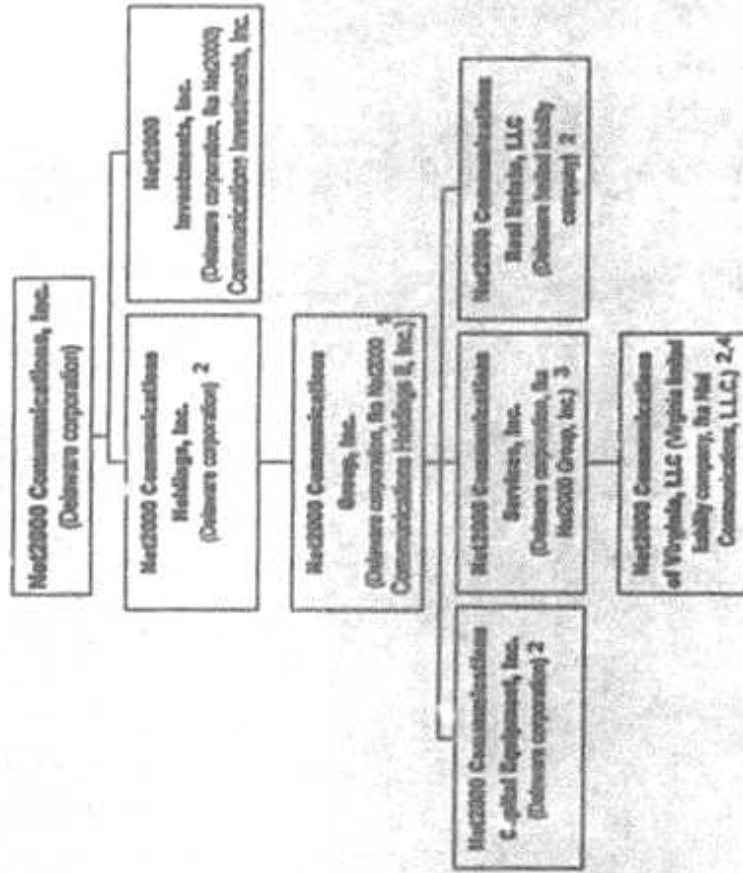
Title: Dir. Reg. : Law / Asst. Secretary

Date: 12-7-98

Attachment A

*Corporate Organizational Structure
Following Reorganization*

Net2000 Communications



1 Borrower.

2 Guarantors.

3 Stockholders of Net2000 Group, Inc. enter into a Stock Exchange Agreement pursuant to which they exchange stock in Net2000 Group, Inc. for that of the new ultimate holding company, Net2000 Communications, Inc.

4 Net2000 Group, Inc. exercises its option to purchase the stock of CB Com, L.L.C., which then merges with and into its subsidiary, Ntel Communications, L.L.C. ("Ntel"). Ntel changes its name to "Net2000 Communications of Virginia, L.L.C." This entity holds the certificate of authority for Virginia (which must remain in an entity that is organized under the laws of the Commonwealth of Virginia.)

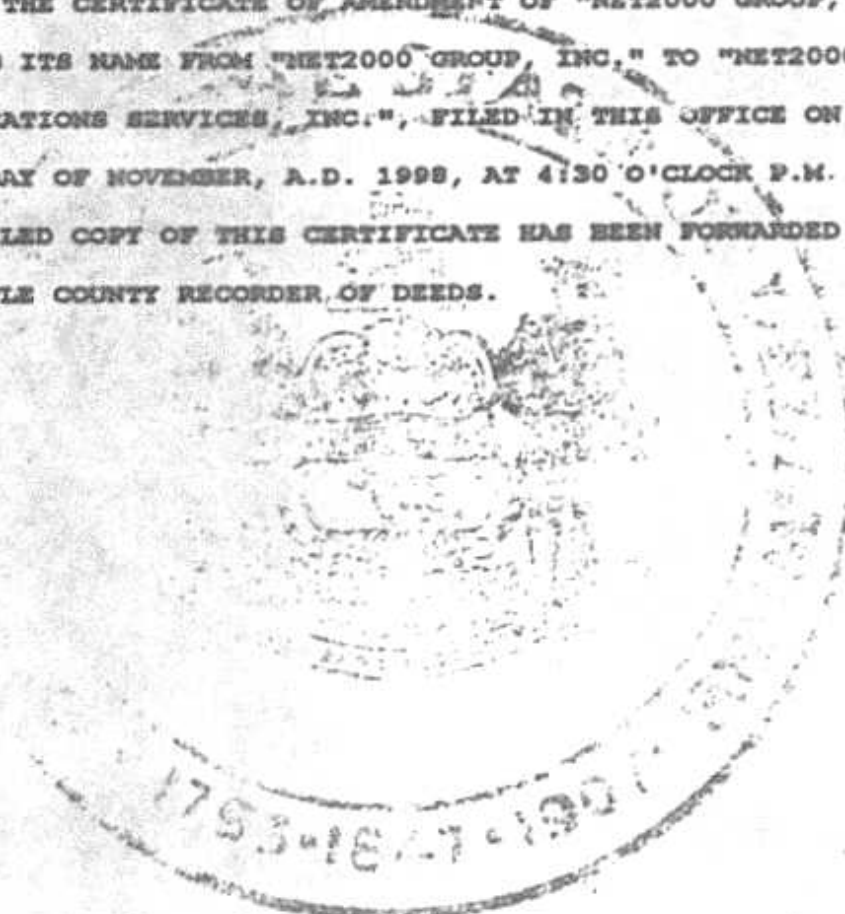
Attachment B

*Amended Articles of Incorporation
Reflecting Name Change*

Office of the Secretary of State

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "NET2000 GROUP, INC.", CHANGING ITS NAME FROM "NET2000 GROUP, INC." TO "NET2000 COMMUNICATIONS SERVICES, INC.", FILED IN THIS OFFICE ON THE SECOND DAY OF NOVEMBER, A.D. 1998, AT 4:30 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.



Edward J. Freel

Edward J. Freel, Secretary of State

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AUTHENTICATION:

9387780

DATE

11-04-98