

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 27, 2006

IN RE:

BROADWING COMMUNICATIONS SERVICES, LLC
PETITION FOR APPROVAL OF FINANCING TRANSACTION

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DOCKET NO.
05-00301

ORDER APPROVING FINANCING TRANSACTION

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 21, 2005 for consideration of the *Petition* filed by Broadwing Communications Services, LLC ("Broadwing") requesting Authority approval of a financing transaction pursuant to Tenn. Code Ann. § 65-4-109 (2004).

Petition

Broadwing, a Delaware limited liability company headquartered in Austin, Texas, is an indirect subsidiary of Broadwing Corporation. Broadwing, which currently has 756 customers in Tennessee, is a non-dominant telecommunications carrier authorized to provide local exchange and resold interexchange services in the State of Tennessee. On February 19, 2004, in Docket No. 03-00559, the Authority granted approval of the Petition of C III Communications Operations, LLC to change its name to Broadwing Communications, LLC. C III was granted Authority to provide long distance telecommunications services in Tennessee in Docket No. 03-00240 on July 3, 2003.

On October 27, 2005, Broadwing filed its *Petition* requesting Authority approval to participate in a new financing transaction whereby Broadwing may incur debt in an amount up to \$75 million, secured by a pledge of the accounts receivable of Broadwing Corporation and its U.S.

subsidiaries. Broadwing currently has no secured debt. Broadwing states that the parties to the transaction expect to consummate the revised debt structure as soon as possible, but in no case later than November 30, 2005, subject to all regulatory approvals.

According to the *Petition*, Broadwing has entered into a revolving credit facility or arrangement with PNC Bank, National Association and certain other lenders. Broadwing states that it may borrow up to \$75 million under the facility or arrangement, which has a maturity date of October 14, 2008. In addition, Broadwing asserts that it may prepay, without penalty or premium, the principal on the loans, and the borrowings bear interest at Broadwing's option at a rate equal to (a) LIBOR plus 3.75% or (b) an alternative base rate, defined as the higher of the prime or federal funds rate, plus 2.5% per annum.

The *Petition* states that Broadwing and its parent company determined that in order to realize certain economic efficiencies, immediate access to the capital available through the proposed financing would be needed. The *Petition* maintains that the funds made available through the financing would be used for general corporate purposes, and participation in the proposed financing transaction would not result in a change in management or in the day-to-day operations in Tennessee; nor will it adversely affect current or proposed operations in Tennessee. In addition, Broadwing maintains that the financing transaction will enable it to better utilize available funds to enhance service in Tennessee.

The *Petition* states the financing transaction will be transparent to customers, and will not result in any changes to the rates, terms or conditions of service. Customers will continue to receive the same high-quality service at the same rates, terms and conditions. In addition, the *Petition* states that customers should benefit from the transaction, as it will ensure that Broadwing has the capital necessary to grow and expand the businesses. According to the *Petition*, the transaction will improve the overall financial condition of Broadwing by improving its cash flow and enabling the hiring of

more employees, including customer service employees. The *Petition* asserts there will be no change in management as a result of the transaction.

November 21, 2005 Authority Conference

Tenn. Code Ann. § 65-4-109 (2004) states:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

Pursuant to this statutory authority, the TRA must determine whether the proposed financing transaction is in accordance with law and the stated purpose meets with the TRA's approval.

At a regularly scheduled Authority Conference held on November 21, 2005, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The proposed transaction is subject to approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. The proposed transaction will affect the assets of Broadwing Communications LLC, an entity certificated to offer telecommunications services in Tennessee;
3. Broadwing did not indicate that it is required to obtain approval from any federal agency but stated that it has sought approval in other states;
4. Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace which includes obtaining information on the financial transactions and fitness of certificated telecommunications carriers;
5. The burden of complying with Tenn. Code Ann. § 65-4-109 (2004) is minimal as such compliance should be perfunctory given the telecommunications industry's movement to a competitive environment;

6. The proposed transaction is being made in accordance with the laws enforceable by the Authority; and

7. The purpose of the transaction is in the public interest because based on the assertions of the petitioners, the transactions will “strengthen the competitive position through access to greater financial resources.”

IT IS THEREFORE ORDERED THAT:

1. Broadwing Communications, LLC is authorized to enter into the financing transaction as described in the *Petition* and discussed herein.

2. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof for the transactions approved herein.


Ron Jones, Chairman


Pat Miller, Director


Sara Kyle, Director