

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 6, 2006

IN RE:

**APPLICATION OF NUVOX COMMUNICATIONS, INC.
FOR AUTHORITY TO PROVIDE SECURITY IN
CONNECTION WITH FINANCING-REQUEST FOR
EXPEDITED CONSIDERATION**

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**DOCKET NO.
06-00103**

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 May 15, 2006 for consideration of the *Petition* of NuVox Communications, Inc. ("NuVox Communications" or "Petitioner") requesting approval from the Authority to participate in certain debt and debt-related financing arrangements pursuant to Tenn. Code Ann. § 65-4-109 (2004).

The Petition

Gabriel Communications Finance Company ("Gabriel") and NuVox Communications are each privately held Delaware corporations located in Greenville, South Carolina. Petitioner is a direct, wholly-owned subsidiary of Gabriel, which in turn is a direct, wholly-owned subsidiary of NuVox, Inc. Through its various operating subsidiaries, including NuVox Communications, NuVox, Inc. has operations in 48 markets throughout 16 contiguous Midwestern and Southeastern states. Currently, NuVox, Inc.'s operating subsidiaries collectively have approximately 41,500 customers. In Tennessee, NuVox Communications is authorized to

provide local exchange and interexchange telecommunications services by Authority Order in Docket No. 98-00806, issued on February 22, 2000. The Petitioner is also authorized by the FCC to provide domestic and international telecommunications services.

On April 13, 2006, the Petitioner requested TRA approval to provide its guarantee, serve as a co-borrower, or to provide security in connection with various financing being arranged for its parent, Gabriel (together with NuVox, Inc. and Petitioner, "Borrowers") of an amount up to \$120 million.¹

The *Petition* states that the current proposed financing includes a term facility and a revolving facility in a total amount of \$90 million. The exact amount of the terms of each financing will not be finalized until the arrangements have been completed or shortly before funding of the various transactions and will reflect market conditions then existing. Portions of the financed funds may be in the form of conventional credit facilities such as revolving credits (which may be reborrowed during the term of the commitment); letters of credit; the issuance of secured or unsecured notes or debentures (including notes convertible into common stock) to banks, other types of financial institutions or other investors; or term loans. At present, the Petitioner expects that there will be an \$80 million term loan facility and a \$10 million revolving credit facility, and it is expected that Wachovia Bank, National Association, CIT Group, Inc. and Deutsche Bank AG New York will be the funding providers.

According to the *Petition*, the maturity date will be subject to negotiation and will depend on credit conditions, but all maturity dates will be longer than one (1) year. The Petitioner asserts that it is expected that the term facility will be subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued interest,

¹ NuVox Communications and certain subsidiaries have existing indebtedness that includes the Borrower's Second Amended, Restated and Consolidated Credit Agreement dated as of May 21, 2004 ("Existing Credit Agreement"). The Authority was informed of the indebtedness relating to the Existing Credit Agreement in an amount up to \$100 million in connection with Docket No. 04-00082, the merger of New South Holdings, Inc. and NuVox, Inc., approved by Authority Order dated June 4, 2004.

being due six (6) years after the closing date. The revolving facility will have all amounts outstanding due and payable five (5) years after the closing date.

The *Petition* states that it is expected that the interest rates per annum will be LIBOR plus the applicable Margin or, at the option of the Borrowers, the Base Rate plus the Applicable Margin. Regarding the revolving facility, the Applicable Margin is 5.00% per annum for LIBOR rate advances and 4.00% per annum regarding the Base Rate advances. Regarding the term facility, the Applicable Margin is 5.50% per annum regarding the LIBOR rate advances and 4.5% per annum regarding the Base Rate advances.

As security for the financing transactions, the Petitioner maintains that some and perhaps all of the loans to the Borrowers are expected to be secured by a security interest in NuVox Communications' assets. In some cases, NuVox Communications may provide a guarantee or be a co-borrower. At present, it is expected that the Petitioner will give a guarantee and grant a security interest in the following: (i) all present and future shares of Petitioner's capital stock; (ii) all present and future intercompany debt; (iii) subject to materiality thresholds, all present and future property and assets, real and personal, including, but not limited to, equipment, accounts receivable, general intangibles, tangible and intangible assets required to own and operate any telecommunications systems, franchises, permits and licenses; and (iv) all proceeds and products of the property and assets described above.

According to the *Petition*, this transaction serves the public interest by enhancing the ability of the Petitioner to grow and compete in the highly competitive markets for telecommunications services in Tennessee and nationwide. The financing arrangement will provide the Petitioner with the financial resources necessary to continue to produce new products and services and respond to the highly competitive telecommunications environment. In addition, the *Petition* asserts that the financing transaction is not expected to directly affect in

any way the rates or services of the Petitioner or its affiliates, or result in any change in control of Petitioner or its affiliates.

According to the *Petition*, the proceeds of the financing may be used in part to pay off the indebtedness under the Existing Credit Agreement. In addition some of the proceeds will be used to repay other loans, or for general corporate purposes, capital expenses, and working capital. Other proceeds will be used to fund the acquisition of other telecommunications companies and/or telecommunications assets.

May 15, 2006 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.

At a regularly scheduled Authority Conference held on May 15, 2006, 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 entities certificated to offer telecommunications services in Tennessee;
3. The Petitioner has filed similar petitions in other states and asserted that federal approval of this transaction is not necessary;
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;

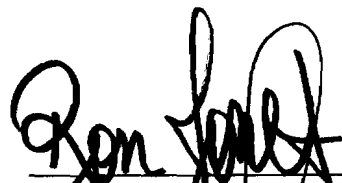
6. The proposed transaction is being made in accordance with the laws enforceable by the Authority; and

7. The purpose of the transaction is in the public interest because, based on the assertions of the Petitioner, the access to greater financial resources will strengthen the Petitioner's competitive position and allow them to bring competitive services to Tennesseans.

IT IS THEREFORE ORDERED THAT:

1. NuVox Communications, Inc. 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