

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

March 27, 2007

*In re: Petition of NuVox Communications, Inc. and)
Southern Digital Network, Inc. d/b/a FDN)
Communications For Authority to Provide Their)
Security in Connection with Financing)*

Docket No. 07-00075

**PETITION OF NUVOX COMMUNICATIONS, INC. AND SOUTHERN DIGITAL
NETWORK, INC. D/B/A FDN COMMUNICATIONS FOR AUTHORITY TO PROVIDE
THEIR SECURITY IN CONNECTION WITH FINANCING**

NuVox Communications, Inc. ("NuVox Communications") and Southern Digital Network, Inc. d/b/a FDN Communications ("SDN" and together with NuVox Communications, the "Companies" or "Petitioners"), by their attorneys, hereby respectfully request approval from the Tennessee Regulatory Authority ("TRA" or "Authority") pursuant to T.C.A. §65-4-109 to provide Petitioners' guarantee, grant a security interest in Petitioners' assets and pledge Petitioners' stock in connection with their parent companies' borrowing of an amount up to \$260 million in three facilities (collectively, the "Loans"). The Loans are intended: (1) to refinance certain existing debt of NuVox Communications' parent, Gabriel Communications Financing Company ("Gabriel"), and SDN's parent, Florida Digital Network, Inc. d/b/a FDN Communications ("FDN"); (2) to finance dividend obligations of NuVox, Inc. ("NuVox"), the ultimate parent of NuVox Communications; and (3) for other corporate purposes (collectively, the "Transactions"). The Petitioners request this authority pursuant to T.C.A. §65-4-109 to the extent it may be necessary.¹

¹ Although the Companies are seeking approval for their participation in this financing transaction, the Companies are doing so without prejudice to their right to assert that this transaction is beyond the jurisdiction of the state commissions. See, e.g., *State ex rel. Utils. Comm'n v. S. Bell Tel. & Tel.*, 207 S.E.2d 772, *aff'd* 217 S.E.2d 543 (N.C. 1975).

As a result of an anticipated merger,² NuVox will become the ultimate parent company of both NuVox Communications and SDN (the “Merger”). The Borrowers of the Loans are Gabriel and SDN’s future direct parent, NuVox Transition Sub, LLC (“FDN LLC”), both subsidiaries of NuVox. The Loans will be secured by guarantees and security interests granted by subsidiaries of the Borrowers, including NuVox Communications and SDN.

In support of this Petition, the Companies provide the following information:

I. PETITIONERS

A. NuVox Communications, Inc.

NuVox is a privately-held Delaware corporation located at Two North Main Street, Greenville, South Carolina 29601. Through its operating subsidiaries, NuVox has operations in 48 markets throughout 16 contiguous Midwestern and Southeastern states. The company is a rapidly growing facilities-based integrated communications provider of voice and data telecommunications services to business customers. NuVox’s subsidiary, NuVox Communications, a Delaware corporation, provides interexchange and competitive local exchange telecommunications services in the following states: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee.³ NuVox also has subsidiaries, all Delaware corporations, that provide interexchange and competitive local exchange telecommunications services in the following states: Arkansas, Illinois, Indiana,

² The Companies have filed a separate application with the Authority requesting approval for the transfer of control of SDN as a result of the merger. This newly-formed entity will change its name to “FDN, LLC d/b/a FDN Communications” at the closing of the merger.

³ In Tennessee, NuVox Communications is authorized to provide interexchange and local exchange telecommunications services pursuant to Docket No. 99-00806 on February 22, 2000, and Docket No. 04-00309, April 13, 2005.

Kansas, Missouri, Ohio and Oklahoma.⁴ NewSouth Communications of Virginia, Inc. is authorized to provide interexchange and local exchange services in Virginia.

FDN LLC is a Delaware limited liability company located at Two North Main Street, Greenville, South Carolina 29601. This entity is a direct, wholly-owned subsidiary of NuVox, formed for the purpose of facilitating the merger with FDN. It is anticipated that SDN's direct parent, FDN, will merge into FDN LLC, with FDN LLC surviving. Thus, SDN will become the direct subsidiary of FDN LLC. FDN LLC will provide interexchange and competitive local exchange telecommunications services to customers in Florida.

B. Southern Digital Network, Inc. d/b/a FDN Communications

FDN is a Delaware corporation located at 390 North Orange Avenue, Suite 2000, Orlando, Florida 32801. FDN is a major provider of voice and data services to businesses in Florida, providing local telephone service, long distance service and high speed Internet services. SDN is a direct, wholly-owned subsidiary of FDN and is a Delaware corporation located at the same address. SDN also provides voice and data services to business customers. SDN is authorized to provide interexchange and competitive local exchange telecommunications services in the following states: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee.⁵ FDN is a direct, wholly-owned subsidiary of FDN Holdings, LLC ("Holdings"), a privately-held Delaware limited liability company located at the same address. Holdings functions as a holding company for the FDN operating subsidiaries and will be dissolved immediately prior to the consummation of the Merger and will

⁴ NuVox Communications of Arkansas, Inc., NuVox Communications of Illinois, Inc., NuVox Communications of Indiana, Inc., NuVox Communications of Kansas, Inc., NuVox Communications of Missouri, Inc., NuVox Communications of Ohio, Inc. and NuVox Communications of Oklahoma, Inc.

⁵ In Tennessee, SDN is authorized to provide interexchange services pursuant to Docket No. 04-00095, July 23, 2004.

distribute its FDN stock to its member. Holdings is not authorized by any state to provide telecommunications services.

II. DESIGNATED CONTACTS

The designated contacts for questions concerning this Petition are:

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Copies of any correspondence should also be sent to the following designated representatives of the Companies:

Riley M. Murphy
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III. DESCRIPTION OF THE PROPOSED FINANCING

The Borrowers intend to use the \$260 million proceeds of the Loans to finance the Transactions. The Loans consist of a \$180 million senior secured Tranche B term loan (“Tranche B Term Facility”) and a \$10 million senior secured revolving credit facility (the “Revolving Facility”, and together with the Tranche B Term Facility, the “First Lien Facilities”), and \$70 million of senior second lien secured term loans (the “Second Lien Facility”). The amounts of the First Lien Facilities and the Second Lien Facility total \$260 million. The lenders include Goldman Sachs Credit Partners L.P. (“GSCP”), Wachovia Bank, National Association and/or other financial institutions selected by GSCP in consultation with the Borrowers. All obligations under the First Lien Facilities and the Second Lien Facility will be guaranteed by NuVox Communications and SDN, as subsidiaries of the Borrowers, Gabriel and FDN LLC. The Petitioners will also grant security interests in their assets as security for the loans.

The exact amounts and terms of the Loans will not be finalized until shortly before funding, and will reflect the market conditions then existing. Some of the terms, such as interest rate, may fluctuate during the term of the Loans due to changes in market conditions and the financial condition and/or the performance of the Borrowers. The terms of the Loans are expected to be the following:

Funding Providers: The lenders include Goldman Sachs Credit Partners L.P., Wachovia Bank, National Association and/or other financial institutions selected by GSCP in consultation with the Borrowers. The funding group may change over the life of the Loans.

Amount: Up to \$260 million. As described above; the Loans consist of a \$180 million senior secured Tranche B term loan (“Tranche B Term Facility”) and a \$10 million senior secured revolving credit facility (the “Revolving Facility”, and together with the Tranche B Term Facility, the “First Lien Facilities”), and \$70 million of senior second lien secured term loans (the

“Second Lien Facility”). The amounts of the First Lien Facilities and the Second Lien Facility total \$260 million.

Maturity: The Tranche B Term Facility will mature seven (7) years after the closing date. The Revolving Facility will mature six (6) years after the closing date. The Second Lien Facility will mature eight (8) years after the closing date.

Interest: All amounts outstanding under the First Lien Facilities will bear interest in line with current market conditions. [USE THIS IF POSSIBLE]

[, at each Borrower’s option, as follows: with respect to loans made under the Revolving Facility: (i) at the Base Rate plus 2.75% per annum; or at the reserve adjusted Eurodollar Rate plus 3.75% per annum; and with respect to loans made under the Tranche B Term Facility: (i) at the Base Rate plus 2.75% per annum; or (ii) at the reserve adjusted Eurodollar Rate plus 3.75% per annum. All amounts outstanding under the Second Lien Facility will bear interest, at each Borrower’s option, as follows: (i) at the Base Rate plus 5.75% per annum; or (ii) at the reserve adjusted Eurodollar Rate plus 6.75% per annum. The terms Base Rate and reserve adjusted Eurodollar Rate will have the meanings customary and appropriate for financings of this type]

Security: Relevant to this Petition, the First Lien Facilities and each Guarantee will be secured by first priority security interests in all assets, including without limitation, all personal, real and mixed property of the Guarantors, including NuVox Communications and SDN, including proceeds in respect thereof; their licenses and authorizations as permitted by law; and 100% of their capital stock. The Second Lien Facility will be secured by a second priority security interest in all assets, including without limitation, all personal, real and mixed property of the Guarantors, including NuVox Communications and SDN, including proceeds in respect thereof; their licenses and authorizations as permitted by law; and 100% of their capital stock. The security documents will contain appropriate provisions indicating that the exercise of certain rights thereunder may be subject to obtaining prior regulatory approval.

Use of Proceeds: The proceeds of the Tranche B Term Facility and the Second Lien Term Facility will be used to fund the Transactions, as described above. Amounts available under the Revolving Facility will be used for permitted capital expenditures and permitted acquisitions, to provide for ongoing working capital requirements and for general corporate purposes.

To the extent specific approval would be required for provision of such commitments by the Companies, such authority is hereby requested.

IV. PUBLIC INTEREST ANALYSIS

Approving this Petition will serve the public interest by enhancing the ability of the Companies to grow and compete in the highly competitive markets for telecommunications services in Tennessee and nationwide. Approval of the Loans described herein is not expected directly to affect the rates or services of the Companies or their affiliates. The financing arrangement will provide the Companies with the financial resources needed to further grow and expand their business and to compete in today's highly competitive telecommunications environment.

The Companies compete in Tennessee and other markets with numerous other interexchange carriers and enhanced service providers as well as incumbent local exchange carriers and other competitive local exchange carriers. Because the Companies are non-dominant carriers, they are not subject to rate of return regulation and their capital structure should be immaterial to the TRA. In addition, because of the highly competitive environment in which they operate, the prices Petitioners charge their customers are subject to significant market discipline and the services offered generally are available from multiple other carriers. As a result, the source of funds and capital structure of the Companies would have no appreciable effect on customers in Tennessee or elsewhere. In the unlikely event that the Companies' capital structure becomes too costly and prices rise, customers may simply migrate to other carriers with better pricing. Thus, any adverse consequences from the financing decisions impact the shareholders, not the customers, and any favorable consequences benefit both shareholders and consumers through higher profits, lower rates, and better services.

Moreover, because the public interest is best served by ensuring the continued presence of numerous telecommunications competitors in Tennessee, the TRA should use its authority to

enable competitors to arrange financing in the manner they deem most appropriate to carry on business so long as there is no adverse impact on the public. Lack of such flexibility will discourage new competitors from entering the state and could encourage existing competitors in the state to seek a more favorable regulatory environment elsewhere, to the detriment of Tennessee consumers.

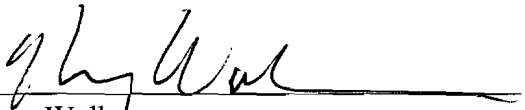
WHEREFORE, the Companies respectfully request that the Authority approve, to the extent necessary, their participation in the Loans, as described herein and further relief as the Authority may deem appropriate.

Respectfully submitted,

NuVox Communications, Inc.

Southern Digital Network, Inc. d/b/a
FDN Communications

By:

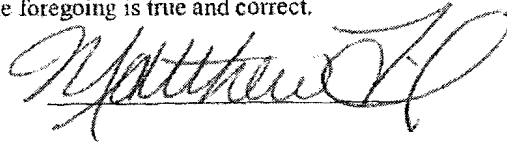

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VERIFICATION

I, Matthew Feil, am General Counsel of Florida Digital Network, Inc. d/b/a FDN Communications. I am authorized to represent it and its affiliates and to make this verification on their behalf. The statements in the foregoing document relating to Florida Digital Network, Inc. and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.



Subscribed and sworn to before me this 22nd day of
March 2007.


Notary Public

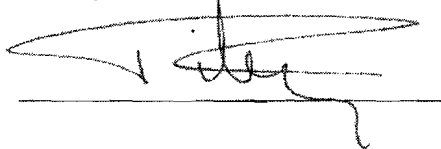
Glenda S. Chapman
My Commission DD285574
Expires November 09, 2007

My Commission expires: 11-9-07

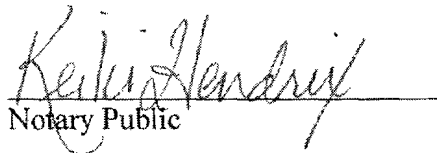
VERIFICATION

I, Riley M. Murphy, am Executive Vice President and General Counsel of NuVox, Inc. I am authorized to represent it and its affiliates and to make this verification on their behalf. The statements in the foregoing document relating to NuVox, Inc. and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.



Subscribed and sworn to before me this 21st day of
March 2007.


Notary Public

My Commission expires: 05-12-2014