

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 14, 2007

IN RE:

**PETITION OF KNOLOGY INC. AND
KNOLOGY OF TENNESSEE, INC. FOR
FINANCING APPROVAL**

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**DOCKET NO.
07-00085**

ORDER APPROVING FINANCING TRANSACTION

This matter came before Director Eddie Roberson, Director Pat Miller and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on April 30, 2007 for consideration of the Petition for approval to consummate financing transactions ("*Petition*") filed by Knology Inc. ("Knology" or "Parent") and Knology of Tennessee, Inc. ("Knology-Tennessee") (together, "Petitioners").

Knology, a West Point, Georgia-based holding company, provides competitive broadband services to consumers and businesses in the City of Knoxville and Knox County, Tennessee through its subsidiaries. The Knology subsidiaries provide service through their facilities-based networks in each market. Knology-Tennessee, along with other subsidiaries of Knology, is wholly-owned and controlled by Knology.

Knology-Tennessee is a Delaware corporation with its headquarters in West Point, Georgia. Knology-Tennessee provides facilities-based and resold telecommunications services in Tennessee pursuant to Authority Orders in Docket No. 00-00058 and Docket No. 04-00092.

The Petition

The Petitioners request approval, pursuant to Tenn. Code Ann. § 65-4-109 (2004),¹ for Knology-Tennessee to participate, along with the other subsidiaries of Knology, in a loan transaction whereby Knology has entered into an Amended and Restated Credit Agreement with Credit Suisse and Credit Suisse Securities (USA) LLC (together, “Credit Suisse”). The Amended and Restated Credit Agreement includes two credit facilities: (1) a 5-year Revolving Credit Facility (the “Revolving Credit Facility”) for \$25,000,000 and (2) a 5-year Term Loan (the “Term Loan”) (together, the “Credit Facilities”). The original principal amount of the Term Loan will be \$555,000,000. The proposed financing arrangement is connected to Knology’s January 2007 definitive agreement to purchase PrairieWave Communications (“PrairieWave”), a South Dakota-based telecommunications company.

According to the *Petition*, Knology will be the borrower under the Credit Facilities and its obligations will be unconditionally guaranteed by each existing and subsequently acquired and organized domestic and, in certain cases, foreign subsidiaries, including Knology-Tennessee. The Revolving Credit Facility and the Term loan will be secured by substantially all of the assets of the parent and each guarantor, including but not limited to, a perfected first priority pledge of all the capital stock of each subsidiary of the parent and a perfected first priority security interest in, and mortgages on, substantially all tangible and intangible assets of the Parent and subsidiaries, such as accounts receivables, inventory, equipment, intellectual property, real property, deposits and security accounts.

¹ Tenn. Code Ann. § 65-4-109 (2004) provides as follows:

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.

The proceeds from the Credit Facilities are expected to be used to pay the cash merger consideration to be received by the stockholders of PrairieWave, refinance the existing secured debt of PrairieWave, repay Knology's Existing Credit Facility, pay the costs of the proposed Credit Facilities and provide future liquidity for operations, fees and expenses related to the financing transaction.

The Petitioners assert that the proposed transaction will further the public interest because proceeds derived from the Credit Facilities will enable the Petitioners to improve their business operations and service capabilities for the benefit of their customers. In addition, the Petitioners' ability to compete in local exchange service markets will be strengthened, enabling them to better respond to the competitive pressures in the evolving telecommunications market.

The April 30, 2007 Authority Conference

At a regularly scheduled Authority Conference held on April 30, 2007, the panel voted unanimously to approve the *Application* based on following findings:

1. The proposed financing agreement is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The transaction is being made in accordance with laws enforceable by this agency.
3. The transaction is in the public interest because it will better enable the petitioners to improve their business operations, thereby promoting competition.²

² Director Jones made the following additional findings:

- (1) The proposed financing transaction is expected to affect the Tennessee assets of a Tennessee certificated entity.
- (2) Subsidiaries of Knology Inc., have filed a similar petition in Georgia, and Petitioners have stated that federal approval of the transaction is not required.
- (3) 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.
- (4) The burden of compliance 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.

IT IS THEREFORE ORDERED THAT:

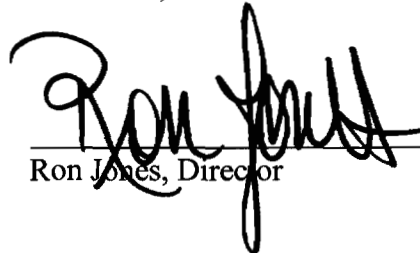
1. Knology Inc. and Knology of Tennessee, Inc. are authorized to consummate the financing transaction as described in the *Petition* and discussed herein.
2. The authorization and approval given shall not be used by any party for the purpose of inferring an analysis or assessment of the risks involved. This decision is not intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof.



Eddie Roberson, Director



Pat Miller, Director



Ron Jones, Director