



2007 May 14 11:11 AM  
Tennessee

Jay Nusbaum  
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May 11, 2007

**By Overnight Delivery**

Chairperson Sara Kyle  
c/o Sharla Dillon, Dockets and Records Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

07-00112

**Re: Application of Electric Lightwave, LLC for Approval of Financing Arrangement**

Dear Chairperson Kyle:

Enclosed for filing are an original and thirteen (13) copies of the above-referenced Application. Also enclosed is a check in the amount of \$25.00 to cover the filing fee. In addition, pursuant to the Commission's Official Filing Schedule, enclosed is a diskette containing an electronic version of the document in MS Word format.

Please date stamp the enclosed extra copy of this filing and return it in the envelope provided.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "J. Nusbaum", with a long horizontal line extending to the right.

Jay Nusbaum

Encl.

1201 NE Lloyd Blvd, Suite 500, Portland, Oregon 97232  
Main Line: 503-453-8000 Fax 503-453-8221

**BEFORE THE  
TENNESSEE REGULATORY AUTHORITY**

|                                       |   |                  |
|---------------------------------------|---|------------------|
| Application of                        | ) |                  |
|                                       | ) |                  |
| <b>Electric Lightwave, LLC</b>        | ) |                  |
|                                       | ) |                  |
| For Approval of Financing Arrangement | ) | Docket No. _____ |
|                                       | ) |                  |

**APPLICATION**

**I. INTRODUCTION**

Electric Lightwave, LLC (“Electric Lightwave” or “Applicant”) requests approval, pursuant to Tenn. Code § 65-4-109 to the extent it applies, to participate in certain financing arrangements upon completion of the acquisition of Eschelon Telecom, Inc. (“Eschelon”) by Electric Lightwave’s parent company, Integra Telecom Holdings, Inc. (“Integra”). The financing arrangement is a necessary part of a transaction whereby Integra will acquire all the outstanding equity interests of Eschelon. Neither Integra nor Eschelon hold certificates from the Commission. Electric Lightwave is the only entity involved in the proposed transaction that holds a certificate from the Authority. Electric Lightwave is authorized to provide resold inter-exchange service in Tennessee and does not have any assets in Tennessee.

As a result of the proposed transaction, Integra will hold 100 percent of the stock of Eschelon and will directly control Eschelon, including its operating subsidiaries. The ownership of Electric Lightwave will not change as a result of the proposed transaction, there will be no transfer of certificates, and the proposed transaction will be virtually transparent to Electric Lightwave’s customers.

Integra will pay an aggregated purchase price of \$710 million for the outstanding equity interests of Eschelon. As described below, Integra will obtain loans to effectuate the acquisition. The loans will be secured by the utility plant and assets of Integra’s subsidiaries, including

Electric Lightwave, and will encumber the plant and assets of those subsidiaries. In addition, Integra's subsidiaries, including Electric Lightwave, will execute guarantees in connection with the loans.

Electric Lightwave respectfully requests that the Authority act expeditiously to grant the authority requested prior to, but no later than, July 1, 2007, so that Integra can timely consummate the proposed transaction to provide the benefits of the proposed transaction to its customers as soon as possible and to meet important business objectives.

## **II. DESCRIPTION OF ELECTRIC LIGHTWAVE**

Electric Lightwave is a wholly owned subsidiary of Integra. The Authority approved Integra's acquisition of Electric Lightwave at its Conference on May 30, 2006, which was memorialized in the Authority's Order dated January 9, 2007 in Docket No. 06-00073.

In Tennessee, Electric Lightwave is authorized to provide operator services and/or resell telecommunications services granted by the Authority Order in Docket No. 98-00578 on August 10, 1999. The Authority subsequently approved Electric Lightwave's request for a name change from Electric Lightwave, Inc. to Electric Lightwave, LLC in Docket No. 05-00010. Electric Lightwave is also authorized by the Federal Communications Commission to provide interstate and international telecommunications services.

Electric Lightwave provides service to approximately five customers in Tennessee.<sup>1</sup>

## **III. DESCRIPTION OF THE PROPOSED TRANSACTION**

Integra and Eschelon have entered into an Agreement and Plan of Merger (the "Agreement") dated as of March 19, 2007. The Agreement provides for a business combination, or

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<sup>1</sup> This customer count may include customers that receive exclusively interstate services that are not subject to the Authority's jurisdiction. Electric Lightwave includes such customers in the customer count solely for the Authority's convenience.

merger, of Integra and Eschelon pursuant to which Integra will acquire 100 percent of the ownership and control of Eschelon and Eschelon will be merged into a wholly owned subsidiary of Integra. The Integra entity into which Eschelon will be merged is a newly formed entity named ITH Acquisition Corp. and was created for the specific purpose of this transaction. Eschelon will be the surviving entity of the merger for all legal purposes, and the combined entity will retain the name Eschelon Telecom, Inc.<sup>2</sup>

Pursuant to the Agreement, Eschelon shareholders will receive \$30.00 cash for each share of Eschelon stock they own. The aggregated total purchase price to be paid by Integra for the ownership of Eschelon will be approximately \$710 million. To finance the acquisition, Integra's parent company, Integra Telecom, Inc. ("Parent"), will raise a total of approximately \$1.2 billion in new debt. The remainder of the loans that are not used to purchase all the stock of Eschelon or repay Eschelon's debt will be used to refinance Integra's current loan obligations and for excess operating cash, transition expenses and fees. Parent will, directly or indirectly, hold all of the debt associated with the purchase.

The financing package includes two loan facilities to be held by Integra and notes to be issued by Parent. Sophisticated investors – Deutsche Bank Trust Company Americas, Morgan Stanley Senior Funding, Inc., and CIBC World Markets Corp. – are funding the loans, which will then be likely syndicated to other lenders and institutional investors. Upon closing, the two loan facilities (the "Senior Secured Debt"), totaling \$985 million, will be held by Integra and secured by the assets of Integra and its operating subsidiaries, including Electric Lightwave. Integra and its operating subsidiaries, including Electric Lightwave, will execute guarantee agreements and

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<sup>2</sup> Pre- and post-transaction corporate organizational charts are attached as Exhibit A.

become guarantors of the Senior Secured Debt held by Integra. Additionally, Parent will issue \$215 million in senior, unsecured notes (the “Notes”). Parent will then contribute the proceeds from the Notes to Integra and the proceeds from the Notes, together with the proceeds from the Senior Secured Debt, which will total \$1.2 billion, will be used to complete the purchase of Eschelon, refinance Integra’s current debt, pay certain fees and expenses, and fund other Integra needs. Upon closing of the proposed transfer of control, Electric Lightwave will be required to pledge its assets as security and act as guarantor.

#### **IV. PUBLIC INTEREST STATEMENT**

Applicant respectfully submits that the proposed transaction will serve the public interest. The proposed transaction will combine the strengths and talents of two of the nation’s most successful CLECs. Integra’s management team has extensive experience in the telecommunications industry. The executives on Integra’s management team, collectively, have over 175 years of combined experience acquiring and building successful telecommunications enterprises. The key members of this team have managed the operations of both ILECs and CLECs, including Integra, and have guided Integra to its current place as one of the largest, most successful CLECs in the nation.

Integra has a track record of operational success. For example, in 2003 Integra became one of the first CLECs to achieve free cash flow positive status. In addition, Integra was one of the first competitive carriers to offer advanced data services over DSL facilities in several markets and was the first major CLEC, since the year-2000 downturn in the capital markets, to repay its original lenders in full when it refinanced its balance sheet in September 2004.

The proposed acquisition is expected to enable both Eschelon and Integra's operating subsidiaries, including Electric Lightwave, to continue to offer innovative products and to further strengthen their competitive positions.

Further, the transaction will be conducted in a manner that will be virtually transparent to customers of Electric Lightwave. The proposed transaction will not result in a change in the ownership of Electric Lightwave, nor will it result in a change of carrier for end user customers or in a transfer of authorizations. Following consummation of the proposed transaction, Electric Lightwave will continue to provide high-quality communications services to its customers without interruption. The consummation of the transaction will not result in any change in Electric Lightwave's customers' rates, terms or conditions.

Electric Lightwave does not have any assets in Tennessee.

Because the financing arrangements, and Electric Lightwave's participation in such financing arrangements, are necessary to consummate the proposed transaction, Electric Lightwave's participation in the financing arrangements will serve the public interest for the reasons described above.

The public interest will also be served by expeditious authorization no later than July 1, 2007. In order to bring the benefits of the proposed transaction to Integra's customers as soon as possible and to eliminate the potential negative effect of intervening external events, including changing market conditions, Electric Lightwave requests that the Authority give its authorization as quickly as possible.

**V. CONCLUSION**

Electric Lightwave requests approval, to the extent it is necessary, for Electric Lightwave to participate in financing arrangements of Integra upon closing of the proposed transfer of control as described in this Application.

Respectfully submitted,

By: 

Charles L. Best  
Jay Nusbaum  
Integra Telecom Holdings, Inc.  
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Email: jay.nusbaum@integratelecom.com

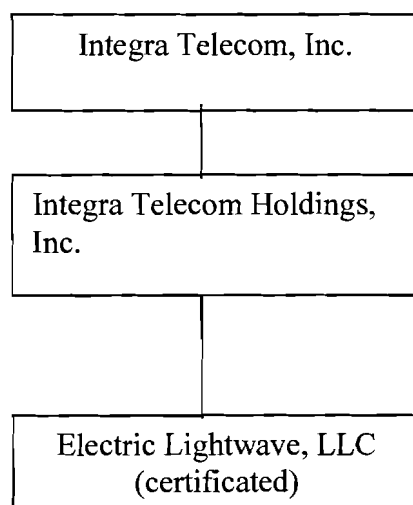
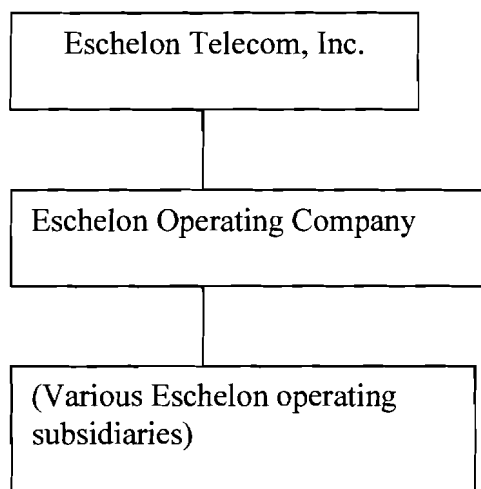
Dated: May 11, 2007

## **Exhibit A**

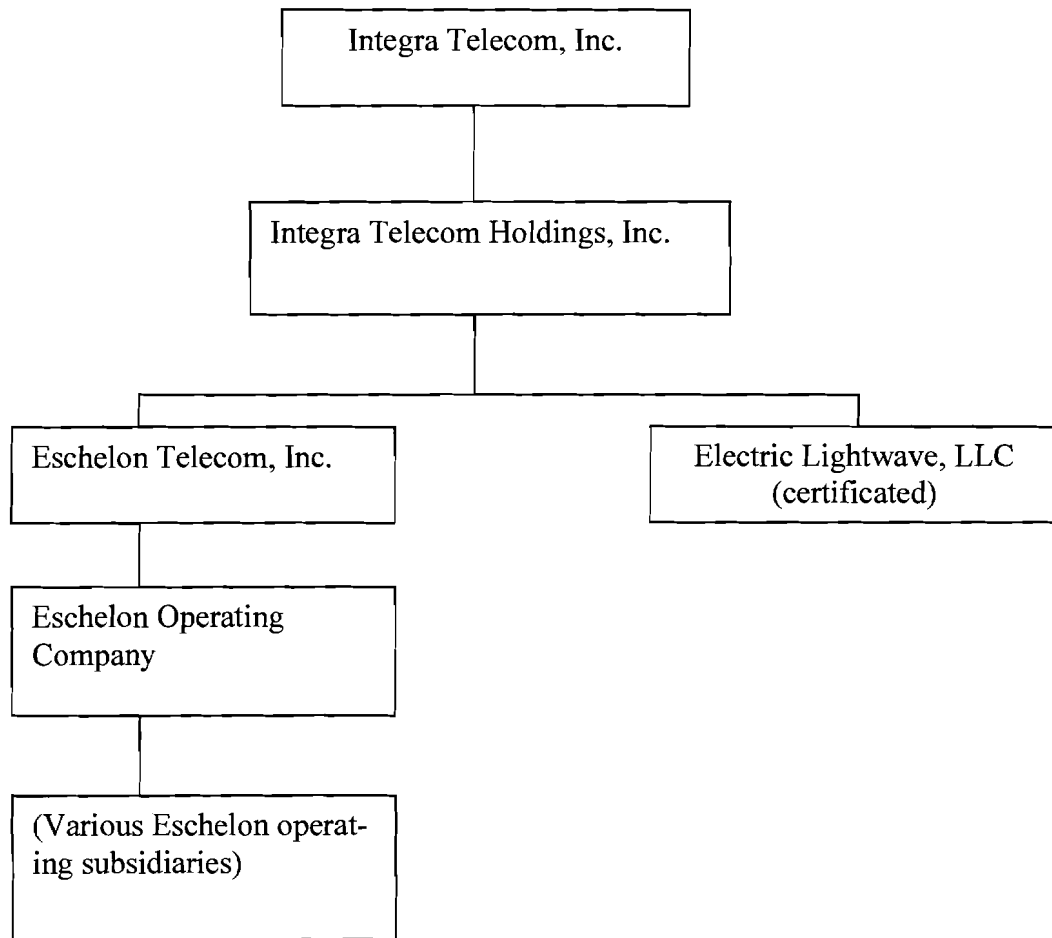
### **Corporate Organizational Charts**



**Pre-Transaction**



**Post-Transaction**



## **Verification**

# VERIFICATION

STATE OF OREGON

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ss:

COUNTY OF MULTNOMAH

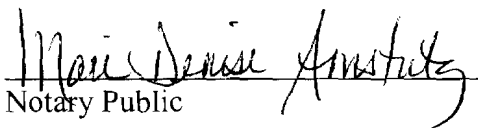
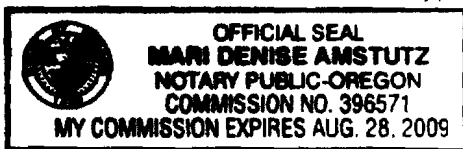
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I, Matthew Fahey, being first duly sworn, state that I am Senior Vice President of Finance of Integra Telecom Holdings, Inc., the corporate parent and sole member of Electric Lightwave, LLC; that I am authorized to make this Verification on behalf of Electric Lightwave, LLC; and that the contents in the foregoing Application are true and correct to the best of my knowledge, information, and belief.



Matthew Fahey  
Senior Vice President of Finance  
Integra Telecom Holdings, Inc

Sworn and subscribed before me this 11th day of May, 2007.

  
Notary Public

My commission expires

August 28, 2009