

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**December 4, 2009**

**IN RE:**

**JOINT APPLICATION OF PAETEC  
COMMUNICATIONS, INC., US LEC OF TENNESSEE,  
INC. AND MCLEODUSA TELECOMMUNICATIONS  
SERVICES, INC. D/B/A PAETEC BUSINESS  
SERVICES FOR APPROVAL TO PARTICIPATE IN  
VARIOUS DEBT FINANCING ARRANGEMENTS**

**DOCKET NO.  
09-00161**

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**ORDER APPROVING FINANCING TRANSACTIONS**

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This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Mary W. Freeman 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 9, 2009 for consideration of the *Joint Application* filed on October 5, 2009 by PAETEC Communications, Inc. (“PAETEC”), US LEC of Tennessee, Inc. (“PAETEC-TN”), and McLeodUSA Telecommunications Services, Inc. d/b/a PAETEC Business Services (“PAETEC Business”) (collectively, the “Applicants” and each, an “Applicant”) for approval to participate in various debt financing arrangements contemplated by their ultimate corporate parent. The Applicants are sister companies and wholly-owned subsidiaries of PAETEC Holding Corp. (“PAETEC Parent”), a publicly traded Delaware corporation and nationwide provider of competitive communications services.

PAETEC is a Delaware corporation that offers voice, data and IP solutions to business, enterprise organizations and institutions in forty-seven states and the District of Columbia. In

Tennessee, PAETEC is authorized to provide resold interexchange telecommunications services and operator services pursuant to Authority Order in Docket No. 98-00691.

PAETEC-TN is a Delaware corporation that provides local exchange and intrastate interexchange telecommunications services in Kentucky, Mississippi, and Tennessee. In Tennessee, PAETEC-TN is authorized to provide local exchange, exchange access, and interexchange telecommunications services pursuant to Authority Order in Docket No. 97-003871.

PAETEC Business is an Iowa corporation that provides integrated communications services, including local services primarily in twenty Midwest, Southwest, Northwest, and Rocky Mountain states. In Tennessee, PAETEC Business is authorized to provide resold and facilities-based local exchange and intrastate interexchange telecommunications services pursuant to Authority Order in Docket No. 00-00906 and operator services pursuant to Authority Order in Docket No. 96-01632.

PAETEC Parent has a presence in eighty-three of the nation's top 100 metropolitan statistical areas, delivering communications solutions to business customers in forty-eight states and the District of Columbia. In Tennessee, PAETEC Parent provides telecommunications services through its operating subsidiaries, PAETEC, PAETEC-TN, and PAETEC Business.

### **THE PROPOSED FINANCING TRANSACTIONS**

PAETEC Parent anticipates that over the next five years it will enter into various debt transactions to refinance existing long-term debt obligations with lower cost debt instruments; to refinance existing long-term debt maturities; to finance new capital expenditures supporting both the expansion of its national footprint, including the acquisition of other telecommunications companies and/or new telecommunications assets, and the enhancements of its communications service offerings; and to provide for working capital and general corporate purposes.

The Applicants request (1) authorization to guarantee and secure the obligations of PAETEC Parent (and, as applicable, its subsidiaries, including Applicants) of up to \$700 million in long-term indebtedness. The requested authorization, which would cover the execution and delivery of one or more guarantees, pledge and security agreements, and such other agreements as may be required, is in addition to the approvals previously granted by the Authority in Docket Nos. 06-00221 and 07-00229; and (2) authorization to participate in various financing arrangements related to any restructuring, refinancing and/or financing of any long-term indebtedness of PAETEC Parent (and, as applicable, its subsidiaries, including Applicants).

### **FINDINGS AND CONCLUSIONS**

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

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 November 9, 2009, the panel voted unanimously to approve the *Joint Application* and made the following findings:

1. The proposed financing transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed financing transaction is being made in accordance with laws enforceable by this agency.
3. The proposed financing transaction is in the public interest because it will enhance the Applicants' respective competitive positions in the Tennessee telecommunications marketplace.


**IT IS THEREFORE ORDERED THAT:**

1. PAETEC Communications, Inc., US LEC of Tennessee Inc., and McLeodUSA Telecommunications Services, Inc. d/b/a PAETEC Business Services are authorized to enter into the financing transactions described in the *Joint Application*.

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 risks involved.

3. 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.

  
Sara Kyle, Chairman

  
Eddie Roberson, Director

  
Mary W. Freeman, Director