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September 14, 2010

Via Overnight Courier

DKT # 10-00188

Chairman Mary W. Freeman
c/o Sharla Dillon, Dockets and Record Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Joint Petition of PAETEC Holding Corp., Talk America, Inc., The Other Phone Company and Network Telephone Corp. for Approval (1) for the Transfer of Indirect Control of Talk America, Inc., The Other Phone Company and Network Telephone Corp., to PAETEC Holding Corp. and (2) for the Cavalier Entities to Participate in Existing and New Financing Arrangements of PAETEC Holding Corp.

Dear Chairman Freeman:

On behalf of MegaPath PAETEC Holding Corp., Talk America, Inc., The Other Phone Company and Network Telephone Corp. (collectively, the "Petitioners"), enclosed for filing with the TRA are an original and thirteen (13) copies of the above-referenced Petition. Also enclosed is a check in the amount of \$100.00 to cover the filing fee.

Please date-stamp the enclosed extra copy of this filing and return it in the envelope provided. Should you have any questions, please do not hesitate to contact Brett Ferenchak at (202) 373-6697.

Respectfully submitted,



Jean L. Kiddoo
Brett P. Ferenchak

Counsel to PAETEC Holding Corp.

Enclosure

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Joint Petition of
PAETEC Holding Corp.
and
**Talk America, Inc.,
The Other Phone Company and
Network Telephone Corp.**
for Approval (1) for the Transfer of Indirect
Control of Talk America, Inc., The Other
Phone Company and Network Telephone
Corp., to PAETEC Holding Corp. and (2) for
the Cavalier Entities to Participate in Existing
and New Financing Arrangements of PAETEC
Holding Corp.

PAETEC Holding Corp. (“PAETEC”), Talk America, Inc. (“TA”), The Other Phone Company (“TOPC”), and Network Telephone Corp. (“NTC”) (TA, TOPC and NTC collectively, the “Cavalier Entities”) (PAETEC and the Cavalier Entities collectively, the “Petitioners”), by their undersigned counsel and pursuant to Sections 65-4-109 and 65-4-113 of the Tennessee Code, and the rules of the Tennessee Regulatory Authority (“Authority”), hereby request Authority approval (1) for the transfer of indirect control of the Cavalier Entities to PAETEC (the “Cavalier Transfer”) and (2) upon closing of the Cavalier Transfer, for the Cavalier Entities to participate in existing and new financing arrangements of PAETEC, as described more fully herein.

A/73498228.1

and no later than December 1, 2010, so that Petitioners can close the Cavalier Transfer as soon as practicable and in order for them to meet critical business objectives.

In support of this Joint Petition, Petitioners provide the following information:

I. DESCRIPTION OF THE PETITIONERS

A. PAETEC Holding Corp.

PAETEC is a publicly traded Delaware corporation (NASDAQ GS: PAET) with principal offices located at One PAETEC Plaza, 600 Willow Brook Office Park, Fairport, New York 14450. PAETEC, through its regulated operating subsidiaries including its subsidiaries that operate in Tennessee, has a presence in 84 of the nation's top 100 MSAs, delivering communications solutions to business customers in 46 states and the District of Columbia. Additional information regarding PAETEC, including its most recent SEC Form 10-Q, as filed with the Securities and Exchange Commission, is available at www.paetec.com/investors.

PAETEC has three subsidiaries that operate in Tennessee: PaeTec Communications, Inc. ("PCI"),¹ US LEC of Tennessee LLC d/b/a PAETEC Business Services ("PAETEC-TN")² and McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services ("PAETEC Business").³ By virtue of its ownership of PCI, PAETEC-TN, and PAETEC Business, PAETEC has demonstrated its qualifications to own and operate telecommunications carriers in Tennessee. Additional information concerning PAETEC's legal, technical, managerial and financial qualifications to acquire control of the Cavalier Entities was submitted to the Authority with

¹ PCI is authorized to provide resold interexchange telecommunications services and operator services pursuant to certification granted by the Authority in Docket No. 98-00691.

² PAETEC-TN is authorized to provide local exchange, exchange access, and interexchange telecommunications services pursuant to certification granted by the Authority in Docket No. 97-00387.

³ PAETEC Business is authorized to provide resold and facilities-based local exchange and intrastate interexchange telecommunications services pursuant to certification granted by the Authority in Docket No. 00-00906 and operator services pursuant to certification granted by the Authority in Docket No. 96-01632.

various prior filings with respect to the operations of its subsidiaries in Tennessee and is therefore already a matter of public record. Petitioners request that the Authority take official notice of these existing descriptions of PAETEC's qualifications and incorporate them by reference herein.

B. The Cavalier Entities

The Cavalier Entities are wholly owned indirect subsidiaries of Cavalier Telephone Corporation ("Cavalier"), a Delaware corporation. For the Authority's reference, a pre-transaction corporate structure chart that includes the various intermediate holding companies and subsidiaries between each of the Cavalier Entities and Cavalier is provided as part of Exhibit A. TA is a Pennsylvania corporation and TOPC and NTC are Florida corporations. Cavalier and the Cavalier Entities have their principal business offices at 2134 West Laburnum Avenue, Richmond, Virginia 23227. Through its various operating subsidiaries, including the Cavalier Entities, Cavalier uses its own network, including a high-capacity fiber network, to serve customers throughout the Midwest, Southeast, Northeast and Mid-Atlantic states. The company's fiber network contains approximately 13,000 intercity route miles and approximately 4,000 metro route miles. Cavalier provides telecommunications services and solutions to business, consumer, and government customers.

In Tennessee, TA is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted in Docket No. 02-00991 on December 17, 2002. TOPC is authorized to provide facilities-based local exchange and resold interexchange telecommunications services pursuant to authority granted in Docket Nos. 99-00694 (December 17, 2002) and 98-00351 (November 3, 1998), respectively. NTC is authorized to provide facilities-based local exchange and resold interexchange telecommunications services pursuant to authority granted in Docket Nos. 00-00009 (June 23, 2000) and 98-00349 (February 2, 1999),

respectively. The Cavalier Entities are each also authorized by the Federal Communications Commission to provide domestic and/or international telecommunications services.

II. DESIGNATED CONTACTS

Questions, correspondence or other communications concerning this Petition should be directed to Petitioners' counsel of record:

For PAETEC:

Jean L. Kiddoo
Brett P. Ferenchak
Bingham McCutchen LLP
2020 K Street, N.W., Suite 1100
Washington, DC 20006-1806
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with a copy to:

William A. Haas
Vice President of Public Policy & Regulatory
PAETEC Holding Corp.
One Martha's Way
Hiawatha, IA 52233
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william.haas@paetec.com

For the Cavalier Entities:

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with a copy to:

Frances E. McComb
General Counsel; EVP- Law & Public Policy
Cavalier Telephone
2134 West Laburnum Avenue
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III. DESCRIPTION OF THE CAVALIER TRANSFER

Pursuant to the Agreement and Plan of Merger, dated as of September 12, 2010, by and among PAETEC, Cairo Acquisition Corp. ("MergerCo") (an indirect, wholly-owned subsidiary of PAETEC created for purposes of the transaction),⁴ Cavalier, and the Stockholder Representative (the "Agreement"), MergerCo will merge with and into Cavalier, with Cavalier

⁴ MergerCo is a direct wholly-owned subsidiary of PAETEC Corp., a Delaware corporation and direct wholly-owned subsidiary of PAETEC.

continuing as the surviving entity (the “Merger”).⁵ As a result of the Merger, the Cavalier Entities will become wholly owned indirect subsidiaries of PAETEC and PAETEC Corp. Thus, PAETEC will become the new ultimate parent company of Cavalier and the Cavalier Entities. Diagrams depicting the Merger and the pre- and post-transaction corporate structures of the companies are appended hereto as Exhibit A.

The current customers of the Cavalier Entities will remain customers of those entities following the Merger. Accordingly, the Cavalier Transfer will be virtually seamless to customers, who will continue to enjoy the same rates, terms and conditions of service as they do prior to closing. The only change resulting from the Cavalier Transfer will be that the Cavalier Entities will be ultimately owned by PAETEC, a widely held public corporation.

PAETEC is managerially, technically, and financially well-qualified to become the new ultimate owner of the Cavalier Entities. As noted above, subsidiaries of PAETEC currently provide local exchange and/or interexchange telecommunications services in 46 states and the District of Columbia. For additional detail on the financial and managerial qualifications of PAETEC, please see www.paetec.com. The Cavalier Entities will therefore continue to have the managerial, technical and financial qualifications to provide high quality telecommunications services to consumers in Tennessee supported by experienced PAETEC management. The Cavalier Entities will also be supported by the financial resources of PAETEC.

IV. DESCRIPTION OF THE FINANCING ARRANGEMENTS

A. Existing Financing Arrangements

The obligations of PAETEC and its subsidiaries under existing financing arrangements currently total \$950 million in aggregate principal amount, with an additional \$50 million

⁵ There will be no change in the current ownership of PAETEC and its subsidiaries as a result of the Merger.

available under an undrawn revolving credit facility. More specifically, PAETEC's indebtedness currently consists of: (1) a revolving credit facility of \$50 million aggregate principal amount, which currently is entirely undrawn; (2) 9.5% Senior Notes due 2015 in the aggregate principal amount of \$300 million; and (3) 8% Senior Secured Notes due 2017 in the aggregate principal amount of \$650 million (collectively, the "Existing Financings"). The Authority has already considered these existing financing arrangements of PAETEC and authorized PCI and PAETEC-TN (which have guaranteed these arrangements and pledged their assets as security for the arrangements) to participate in these arrangements.⁶ The Existing Financings require that future acquired or created subsidiaries of PAETEC also become guarantors and pledge their assets as security. As a result, the Cavalier Entities will be required to provide guarantees and pledge their assets as security for the Existing Financings upon completion of Cavalier Transfer. Petitioners therefore request approval for the Cavalier entities to participate, upon closing of the Cavalier Transfer, in the Existing Financings by providing a guarantee and pledging their assets as security for the Existing Financings.

B. New Financing Arrangements

In order to finance the Cavalier Transfer and other potential targeted acquisitions, PAETEC also plans to enter into new financing arrangements in an aggregate amount of up to \$600 million, for which certain of PAETEC's subsidiaries may be co-borrowers and/or be required to secure the debt obligations incurred in the financing by executing and delivering guarantees, pledge agreements, and/or such other security agreements as may be required. PAETEC has filed a Petition seeking Authority approval of those new financing arrangements with respect to PCI, PAETEC-TN and PAETEC Business (Docket No. 10-00176) ("PAETEC

⁶ See Docket Nos. 09-00161, 07-00229 and 06-00221.

Financing Petition”). Because future subsidiaries may also be co-borrowers and/or be required to secure the debt obligations incurred in the financing by executing and delivering guarantees, pledge agreements, and/or such other security agreements Petitioners hereby also request Authority approval for the Cavalier Entities to participate, upon closing of the Cavalier Transfer, in the proposed new financing arrangements in an aggregate amount of up to \$600 million.

As stated in the PAETEC Financing Petition, the exact amounts and specific terms of the proposed new financing arrangements, which may be completed in multiple issuances and tranches, will not be priced and otherwise finalized until the specific arrangement(s) have been completed shortly before closing, and will reflect market conditions then existing. Some of the terms, such as the interest rate, may fluctuate during the term of the financing due to changes in market conditions and the financial condition of PAETEC. The core terms of each such financing arrangement are expected to be substantially as follows, which are consistent with those described in the PAETEC Financing Petition:

Funding Providers: The funding providers may be banks, financial institutions, private lending institutions, private individuals, and/or other institutions, either individually or a consortium. The funding group may change over the life of the financing arrangements.

Amount: Up to \$600 million.

Debt instruments. PAETEC currently anticipates that the financing arrangements will consist of secured and/or unsecured notes. In order to maintain flexibility to address market requirements, Petitioners seek approval for the Cavalier Entities to participate in secured or unsecured notes or debentures (including notes convertible into common stock and private notes that may be exchanged for public notes); conventional credit facilities,

such as revolving credit facilities (which can be re-borrowed during the term of the commitment) and term loans; letters of credit; and bridge loans.

Maturity: The maturity date will be subject to negotiation and will depend on credit conditions. Petitioners request authority for the Cavalier Entities to participate in financing arrangements with maturity dates of up to ten (10) years.

Interest: Any interest rate will likely be the market rate for similar financings and will not be determined until the financing is finalized. Depending on the type of debt securities, facility(ies) or other arrangements, the interest rate(s) could be a fixed rate (typically set at signing or closing based on then current market conditions) or a floating rate (consisting of a base rate, which will float with a rate index such as LIBOR or Federal Funds Rate, along with an applicable margin rate), or a combination of fixed rates and floating rates

Security: Some and perhaps all of the financing arrangements are expected to be secured by a security interest in substantially all of the assets of PAETEC and PAETEC's current and future subsidiaries, including, upon closing of the Cavalier Transfer, a security interest in the Cavalier Entities' respective assets.⁷ The stock of each Cavalier Entity may also be pledged as additional security. Additionally, it is expected that each Cavalier Entity will provide guarantees of PAETEC's obligations under the financing arrangements or may be a borrower or co-borrower under the arrangements. The security documents will contain appropriate provisions indicating that exercise of certain rights thereunder may be subject to obtaining prior regulatory approval. Accordingly, Petitioners request authority for the Cavalier Entities to pledge their assets, provide

⁷ TA and TOPC do not have any assets in Tennessee. NTC's assets in Tennessee include collocation, broadband, and switching equipment.

guarantees, and become a borrower or co-borrower as applicable upon completion of the financing.

Use of Proceeds: As noted above, a portion of the proceeds are expected to be used to fund the Cavalier Transfer, including repaying Cavalier's outstanding \$374 million senior secured notes. The proceeds also may be used for other targeted acquisitions, to pay for the capital stock (or other equity interests) or assets of the acquired business and/or to refinance the debt of PAETEC and/or the acquired business in connection with the transaction, as well as pay for transaction costs. Any remaining proceeds may be made available to finance new capital expenditures and for working capital and other general corporate purposes.

V. PUBLIC INTEREST CONSIDERATIONS

Petitioners submit that the transactions described herein will serve the public interest. As part of the PAETEC family of companies, the Cavalier Entities will continue to provide high-quality telecommunications services to consumers, while gaining access to the additional resources and operational expertise of PAETEC. The Cavalier Entities will also benefit by being able to offer services to multi-location business customers across a much larger footprint in combination with its new PAETEC affiliates. The Cavalier Entities' network complements PAETEC's network and the acquisition will increase PAETEC's existing fiber footprint, giving the combined companies greater market depth and breadth as a result of the Cavalier Transfer. The indirect transfer of control will therefore give the Cavalier Entities the ability to become stronger competitors and thereby benefit consumers.

Approval of the Cavalier Entities' participation in the financing arrangements described herein will serve the public interest in promoting competition among telecommunications

carriers by providing Petitioners with access to greater financial resources that will allow them to combine their operations and thereby become more effective competitors to larger incumbent providers. The financing arrangements are necessary and appropriate, consistent with the performance by the Cavalier Entities of their services to the public, will not impair the ability of the Cavalier Entities to perform such services, and will promote the corporate purposes of the Petitioners. The Cavalier Entities' participation in the financing arrangements will be transparent to customers and will not disrupt service or cause customer confusion or inconvenience.

The transactions described herein will not result in a change of carrier for any customers or any assignment of existing Authority authorizations. Further, the rates, terms and conditions of services currently provided by the Cavalier Entities to their customers will not change as a result of the transaction. Following consummation of the proposed indirect transfer of control of the Cavalier Entities, and after appropriate notices to customers and any required regulatory filings, the names of the Cavalier Entities (or their doing business 'DBA' names) may change to reflect the "PAETEC" brand. Otherwise, the transactions will be seamless and transparent to customers and the Cavalier Entities will continue to provide high-quality communications services to their customers without interruption and without change in rates, terms or conditions.

VI. CONCLUSION

For the foregoing reasons, Petitioners submit that the public interest, convenience, and necessity would be furthered by grant of this Petition, authorizing Petitioners to complete the Cavalier Transfer and the Cavalier Entities to participate in the financing arrangements described herein.

Respectfully submitted,



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bmutschelknaus@kelleydrye.com

Counsel for the Cavalier Entities

Dated: September 14, 2010

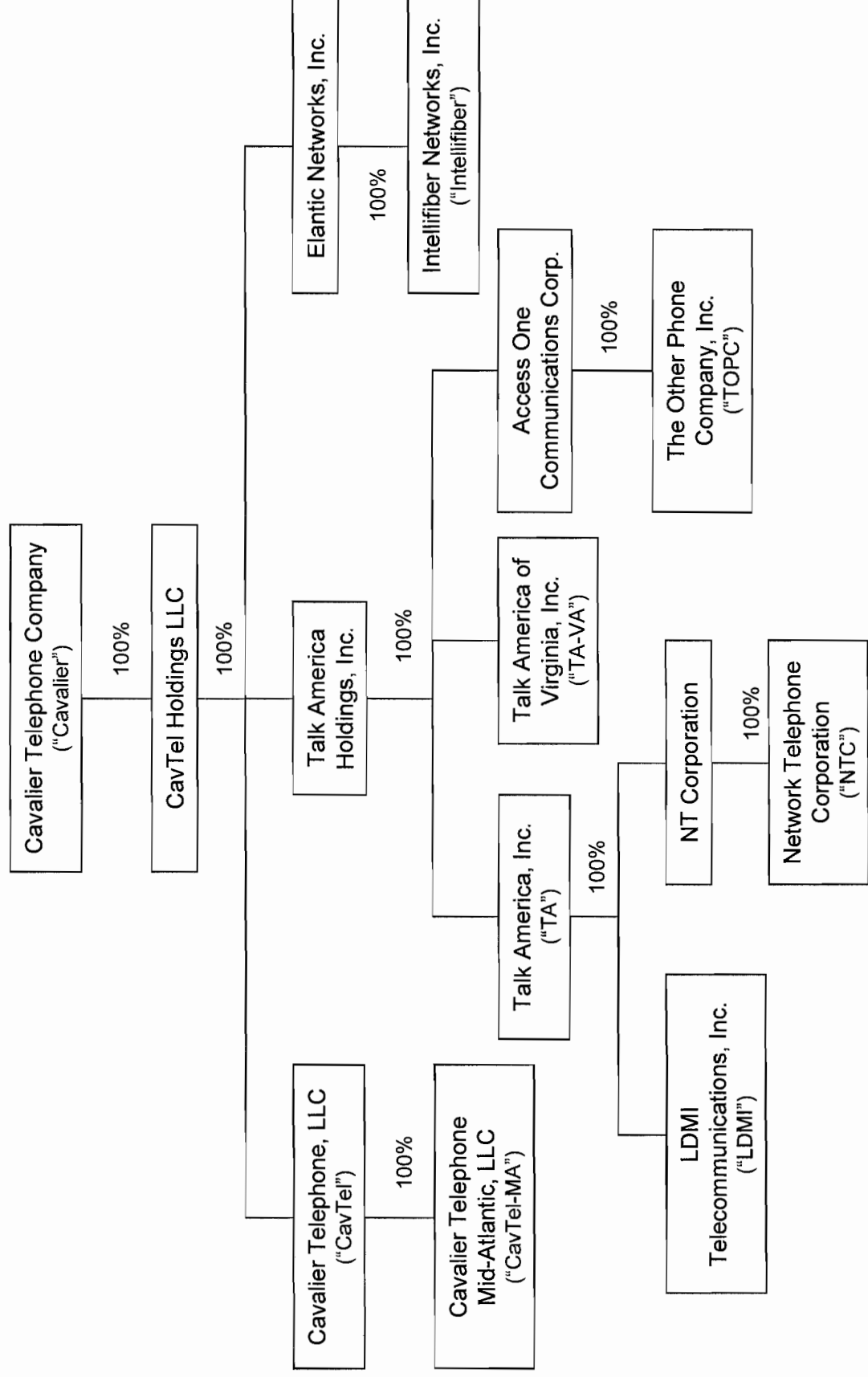
LIST OF EXHIBITS

Exhibit A	Charts of the Merger and the Pre- and Post-Transaction Corporate Organizational Structure
Verifications	

EXHIBIT A

**Charts of the Merger and
the Pre- and Post-Transaction Corporate Organizational Structure**

Pre-Transaction Ownership of the Regulated Subsidiaries of Cavalier



Pre-Transaction Ownership of the Regulated Subsidiaries of PAETEC

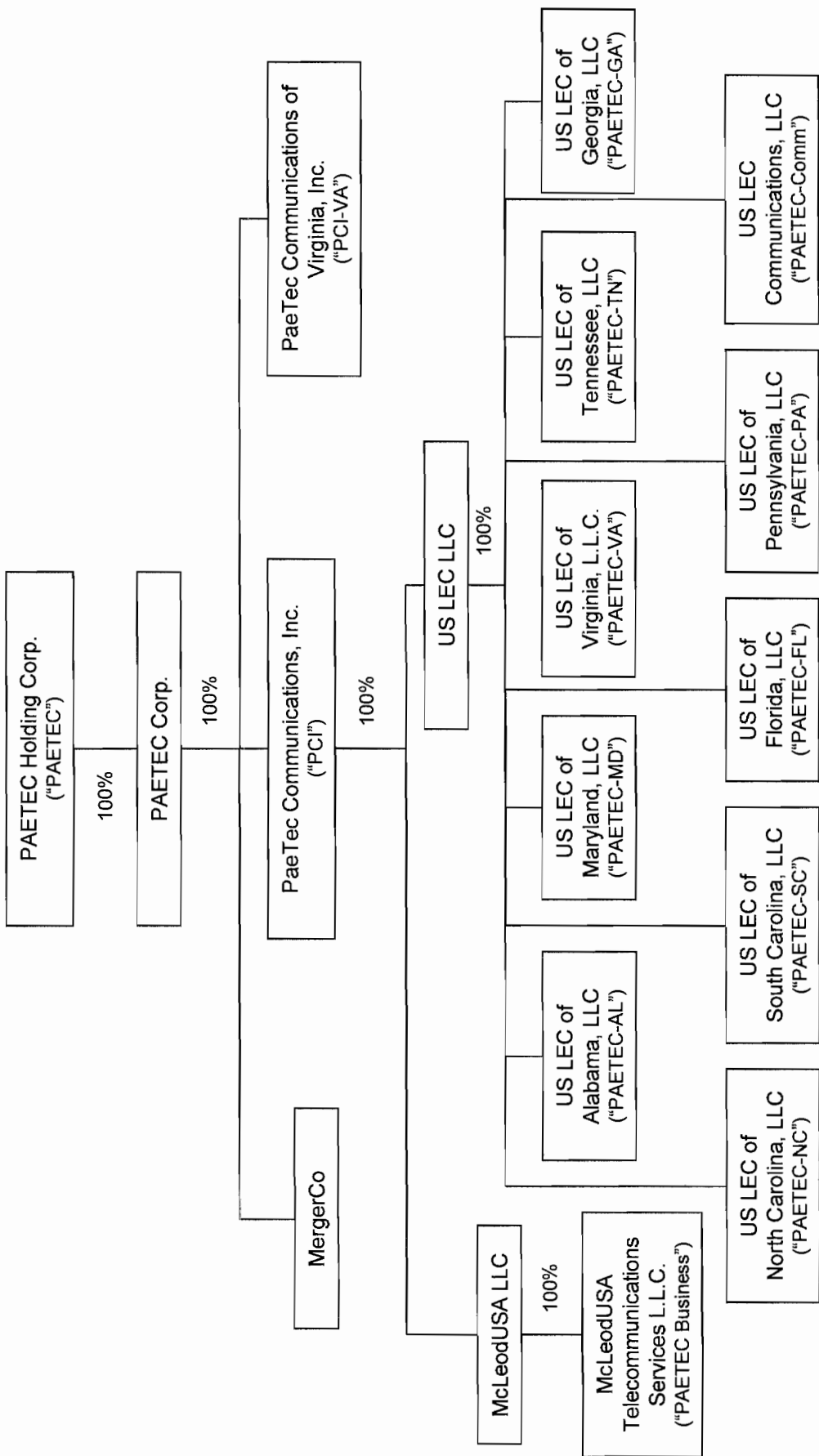
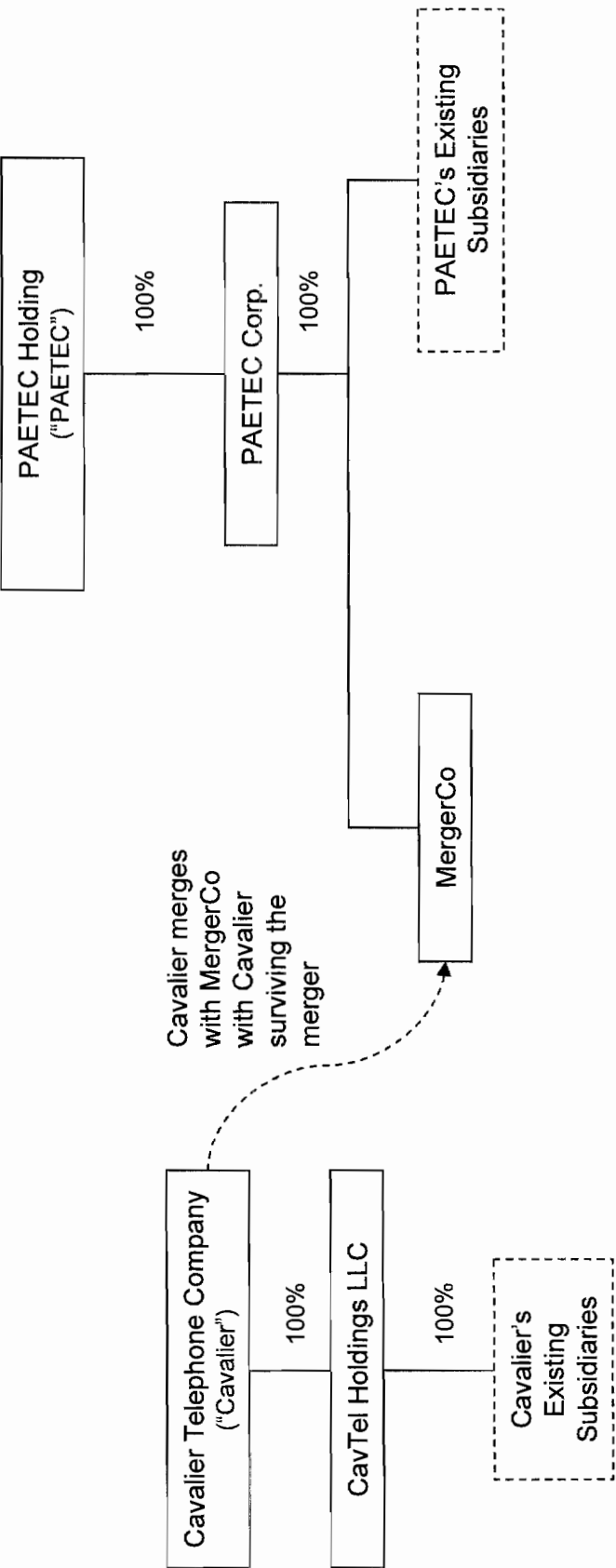
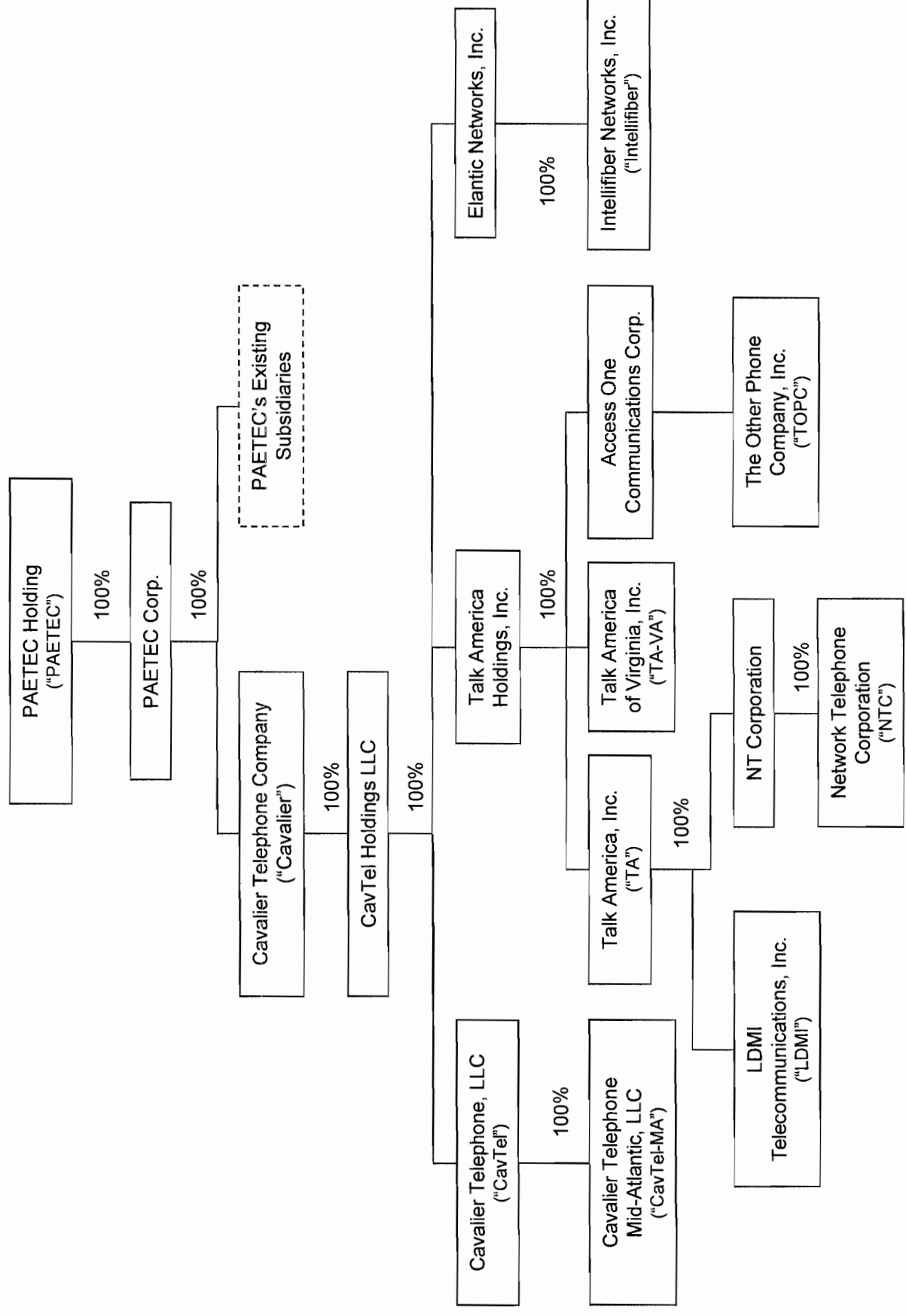


Illustration of the Merger



Post-Transaction Ownership of the Regulated Subsidiaries of PAETEC and Cavalier



Verifications

VERIFICATION

COMMONWEALTH OF VIRGINIA §
 §
COUNTY OF HENRICO §

I, Sarah L. Murphy, state that I am Vice President of Cavalier Telephone Corporation, the ultimate parent company of the Cavalier Entities (as defined in the foregoing document) (collectively, the "Company"); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the statements with respect to the Company in the foregoing document are true and correct to the best of my knowledge, information, and belief.

Sarah L. Murphy
Name: Sarah L. Murphy
Title: Vice President
Cavalier Telephone Corporation

SWORN TO AND SUBSCRIBED before me on the 13 day of September, 2010.

Cheryl C. Jones #310873
Notary Public

My commission expires: Sept. 30, 2013



VERIFICATION

STATE OF IOWA

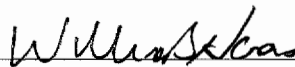
§

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COUNTY OF LINN

§


I, William A. Haas, state that I am Vice President Regulatory and Public Policy of PAETEC Holding Corp.; that I am authorized to make this Verification on behalf of PAETEC Holding Corp.; that the foregoing filing was prepared under my direction and supervision; and that the statements with respect to PAETEC Holding Corp and its subsidiaries in the foregoing document are true and correct to the best of my knowledge, information, and belief.



Name: Williams A. Haas

Title: Vice President Regulatory and Public Policy
PAETEC Holding Corp.

SWORN TO AND SUBSCRIBED before me on the 12 day of September, 2010.


Notary Public

My commission expires: April 7, 2011

