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March 27, 2012

Via Overnight Delivery

The Honorable Chairman Kenneth C. Hill
c/o Sharla Dillon, Dockets and Record Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

12-00025

Re: *Petition of DIECA Communications, Inc. d/b/a Covad Communications
Company for Approval to Participate in Certain Financing Arrangements*

Dear Chairman Hill:

Enclosed please find for filing and original and fourteen (14) copies of the
Petition of DIECA Communications, Inc. d/b/a Covad Communications Company for
Approval to Participate in Certain Financing Arrangements. Please return one copy
filemarked in the enclosed stamped envelope.

Thank you for your assistance. If you have any questions, please do not hesitate
to contact me.

Sincerely,

Katherine K. Mudge

Encls.

cc: Jeffrey Strenkowski

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

Petition of)	
)	
)	
DIECA Communications, Inc. d/b/a)	
Covad Communications Company)	TRA Docket No. _____
)	
for Approval to Participate in Certain)	
Financing Arrangements)	
)	

PETITION

I. INTRODUCTION

DIECA Communications, Inc. ("DIECA" or "Applicant"), by its undersigned counsel and pursuant to Sections 65-4-109 of the Tennessee Code and any other regulations deemed applicable, requests approval, to the extent necessary, from the Tennessee Regulatory Authority ("Authority") to participate in certain financing arrangements whereby MegaPath Group, Inc., the parent company of DIECA¹, will incur long-term debt obligations of up to \$245,000,000 (the "Financing Facilities"). Applicant will be a co-borrower or guarantor, and will encumber its property through the grant of a security interest in its assets in support of the financing arrangements, as further described in Section III below.² This financing will be used, among other

¹ DIECA and its affiliate, DSLnet Communications, LLC ("DSLnet") filed an application with the Authority seeking approval for the *pro forma* intracompany merger of DIECA and DSLnet effective December 31, 2011, with DIECA as the surviving operating entity. *See* TRA Docket No. 1100166. The Authority approved the application on December 12, 2011. *Id.* DIECA and DSLnet have also filed to relinquish DSLnet's competitive carrier certificate with the Authority. *See* Notice Letter filed January 13, 2012. DIECA clarifies that DSLnet's relinquishment of its certificate is not contingent on the refinancing described herein.

² While the Applicant currently expects the financing transactions described herein to be accomplished through a single transaction, the Applicant alternatively may elect to accomplish the transactions with one or more transactions as is most efficient and advantageous for tax and other reasons. The Applicant requests authority, to the extent necessary, to undertake the financing through one or more

purposes, to refinance existing debt obligations at a lower interest rate and for other general corporate purposes. For the reasons set forth herein, DIECA submits that the proposed financing arrangements are in the public interest. In support of this Petition, DIECA states:

I. DESCRIPTION OF THE PETITIONER

DIECA Communications, Inc. ("DIECA") is a Virginia corporation with offices located at 6800 Koll Center Parkway, Suite 200, Pleasanton, CA 94566. MegaPath Group, Inc. ("MegaPath") is a Delaware corporation with offices located at 6800 Koll Center Parkway, Suite 200, Pleasanton, CA 94566 and is the parent company of DIECA. MegaPath, through its operating companies, is one of the largest facilities-based providers of managed services in the United States, providing voice, data, and security services to small, medium, and enterprise business customers. The MegaPath network is a nationwide, MPLS-enabled, all-optical IP network that provides high Quality of Service ("QoS") to customers throughout the country. Serving over 235 metro markets throughout the United States, MegaPath, through its operating companies, offers Internet connectivity via DSL, T1, Bonded T1, high-speed Ethernet, and cable with dedicated circuits. In Tennessee, DIECA is authorized to provide intrastate telecommunications services pursuant to an order of the Authority dated May 22, 2000, in Docket No. 99-00823. DIECA is also authorized by the Federal Communications Commission ("FCC") to provide international and domestic interstate telecommunications services as a non-dominant carrier.

II. CONTACT INFORMATION

For the purposes of this Petition, the contact for DIECA is as follows:

transactions as necessary. The final amounts and organization of the Financing Facilities are to be determined based upon market conditions at the time of closing.

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With a copy to:

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III. REQUEST FOR APPROVAL TO PARTICIPATE IN CERTAIN FINANCING ARRANGEMENTS

DIECA and MegaPath intend to enter into the proposed financing arrangements to refinance existing indebtedness, finance capital expenditures, and other permitted corporate purposes. The borrower in the financing arrangements will be MegaPath³. The proposed financing arrangements will consist of long-term debt obligations of up to \$245,000,000, including a revolving credit facility of up to \$35,000,000 which will replace, at a materially lower interest rate, the long-term debt that MegaPath currently possesses. The Financing Facilities are expected to mature on a date up to six years from the date of closing.⁴

³ To the extent necessary, DIECA also requests authority to act as a co-borrower under the described financing arrangements.

⁴ Based on market conditions, the term of the Financing Facilities may be set to mature on the date that is 364 days after the closing date, provided that upon receipt of the requisite regulatory approvals the maturity dates for the Financing Facilities will be extended to the expected term of up to six years from the date of closing.

All obligations of MegaPath and its subsidiaries under the Financing Facilities are expected to be guaranteed by DIECA, and any current or future affiliates, subject to certain exceptions to be determined. Further, the Financing Facilities are expected to be secured by substantially all the assets of MegaPath and DIECA, and any current or future affiliates, subject to certain exceptions to be determined.⁵ DIECA and MegaPath emphasize that none of the pledging of jurisdictional assets or guarantee obligations described herein will apply to DIECA until required regulatory approvals are received.

DIECA requests approval to act as a co-borrower or guarantor of the Financing Facilities, to grant security interests in its assets, as described above, to secure these financing arrangements, and any other authority necessary or required for the above-referenced financing arrangements. DIECA's participation in the financing arrangements will not result in a change in its management or day-to-day operations; nor will it adversely affect their current or proposed operations in Tennessee. Accordingly, and to the extent required, DIECA requests that the Authority approve the participation of DIECA in the financial arrangements as described herein.

IV. PUBLIC INTEREST CONSIDERATIONS

The proposed financing arrangements described herein are consistent with the public interest and will not impair the ability of DIECA to perform services to the public. The financing arrangements will enable MegaPath to continue to capitalize its operations, thereby allowing DIECA to continue to provide innovative competitive telecommunications services to customers in Tennessee. In addition, the financing arrangements will allow DIECA to extend the maturity of existing indebtedness, lower the interest rate on its indebtedness, and reduce expenses. Furthermore, the contemplated pledges and guarantees will be entirely transparent to consumers

⁵ The interest rates under the Financing Facilities will be determined based on market conditions at the time of closing.

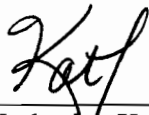
and will not alter the rates, terms and conditions under which DIECA provides service in Tennessee. The financing arrangements will not cause a change in the control of DIECA or MegaPath.

Approval of DIECA's participation in the proposed financing arrangements will serve the public interest in promoting competition among telecommunications carriers by providing MegaPath (and therefore DIECA) with the opportunity to strengthen its financial position. As a result, the proposed transaction is expected to continue to yield financial benefits that ultimately inure to the benefit of DIECA's customers. Furthermore, by increasing the breadth and scope of services made available through DIECA's ongoing operations, this financing transaction will ultimately benefit Tennessee consumers. In sum, greater access to capital will strengthen DIECA's ability to bring competitive services to consumers in Tennessee and is, therefore, in the public interest.

V. **CONCLUSION**

For the reasons stated above, DIECA submits that the public interest, convenience and necessity will be furthered by expeditious Authority approval of DIECA's participation in the financing arrangements described herein.

Respectfully submitted,



Katherine K. Mudge
Director, State Affairs & ILEC Relations

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Counsel for DIECA Communications, Inc.

Date: March 27, 2012

VERIFICATION

STATE OF CALIFORNIA
COUNTY OF SANTA CLARA

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§
§

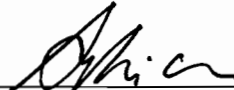
VERIFICATION

I, Douglas Carlen, being duly sworn, deposes and say that I am the General Counsel and Secretary of MegaPath Group, Inc. (the "Company," which includes DIECA Communications, Inc. d/b/a Covad Communications 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 contents are true and correct to the best of my knowledge, information, and belief.



Douglas Carlen
General Counsel and Secretary

Sworn and subscribed before me this 26 day of March, 2012.



Notary Public

My commission expires: Mar 25 2015

