

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**June 14, 2012**

**IN RE:**

**PETITION OF DIECA COMMUNICATIONS, INC.  
D/B/A COVAD COMMUNICATIONS COMPANY FOR  
APPROVAL TO PARTICIPATE IN CERTAIN  
FINANCING ARRANGEMENTS**

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**DOCKET NO.  
12-00025**

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**ORDER APPROVING FINANCING ARRANGEMENTS**

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This matter came before the Tennessee Regulatory Authority (the "Authority" or "TRA") at a regularly scheduled Authority Conference held on May 21, 2012 for consideration of the *Petition* filed on March 28, 2012 by DIECA Communications, Inc. d/b/a Covad Communications Company ("DIECA" or "Petitioner") for approval to participate in certain financing arrangements.

DIECA is a Virginia corporation authorized to provide intrastate telecommunications services in Tennessee pursuant to Authority Order in Docket No. 99-00823 issued on May 22, 2000. DIECA is also authorized by the Federal Communications Commission ("FCC") to provide international and domestic interstate telecommunications services as a non-dominant carrier.

MegaPath Group, Inc. ("MegaPath"), the parent company of DIECA, is a Delaware corporation. Through its operating companies, MegaPath 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 PETITION**

DIECA and MegaPath intend to enter into certain financing arrangements whereby MegaPath will incur long-term debt obligations of up to \$245,000,000 (the "Financing Facilities"), including a revolving credit facility of up to \$35,000,000 which will replace, at a materially lower interest rate, MegaPath's current long-term debt. MegaPath will be the borrower, and DIECA 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. The Financing Facilities are expected to mature on a date up to six years from the closing date, and all obligations of MegaPath and its subsidiaries under the Financing Facilities are expected to be guaranteed by DIECA, and any current and future affiliates, subject to certain exceptions that will be determined later. The interest rates will be determined based on market conditions at the time of closing. The financing will be used, among other purposes, to refinance existing debt obligations at a lower interest rate and for other general corporate purposes. DIECA's participation in the financing arrangements will not result in a change in its management or day-to-day operations and will not adversely affect their current or proposed operations in Tennessee.

## **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 May 21, 2012, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The proposed financing arrangements are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).

2. The proposed financing arrangements are being made in accordance with laws enforceable by this agency.


3. The proposed 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 and will provide MegaPath, and ultimately DIECA , with the opportunity to strengthen its financial position through access to greater financial resources.

**IT IS THEREFORE ORDERED THAT:**

1. DIECA Communications, Inc. d/b/a Covad Communications Company is authorized to enter into the financing arrangements described in the *Petition*.

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.

  
Kenneth C. Hill, Chairman

  
Sara Kyle, Director

 6/08/12  
Mary W. Freeman, Director