

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 18, 2014

IN RE:

APPLICATION OF BIRCH TELECOM OF THE SOUTH,
INC. DBA BIRCH COMMUNICATIONS OF THE SOUTH
AND BIRCH COMMUNICATIONS, INC. FOR
APPROVAL OF FINANCING ARRANGEMENTS

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DOCKET NO.
13-00152

ORDER APPROVING FINANCING ARRANGEMENTS

This matter came before Chairman James M. Allison, Vice Chairman Herbert H. Hilliard, and Director David F. Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on February 3, 2014, for consideration of the *Application of Birch Telecom of the South, Inc. dba Birch Communications of the South and Birch Communications, Inc. for Approval of Financing Arrangements* (“Application”). The *Application* was filed on December 16, 2013, by Birch Telecom of the South, Inc. (“Birch Telecom”) and Birch Communications, Inc. (“Birch”) (together, “Applicants”).

Birch Telecom is a Delaware corporation. Pursuant to Authority Order in Docket No. 00-00341, issued on July 20, 2000, Birch Telecom is authorized to provide local exchange and interexchange telecommunications services in Tennessee. Birch is a Georgia corporation and the immediate parent of Birch Telecom. Birch is also authorized to provide local exchange and interexchange telecommunications services in Tennessee pursuant to Authority Order in Docket No. 99-00644 issued on December 3, 1999, and Authority Order in Docket No. 09-00029, issued on April 27, 2009.

THE APPLICATION

In Docket No. 12-00045, the TRA authorized Birch to refinance outstanding debt by entering into financing transactions under its Senior Credit Facilities. The financing transaction was approved by the TRA based upon a Commitment Letter with Bank of America that Birch had entered into in May 2012. The Commitment Letter contained an accordion provision (“Accordion”) allowing Birch to increase the amount outstanding under the Senior Credit Facilities subject to certain conditions. In Docket No. 12-00140, Birch was granted approval to utilize the Accordion and increase its indebtedness under the Senior Credit Facilities. In Docket No. 13-00083, Birch received approval to refinance its outstanding loans and to increase its Total Senior Credit.

In this *Application*, Birch again requests approval to increase its Total Senior Credit Facilities. The credit agreement governing the Total Senior Credit Facilities was executed in September 2013 and allows Birch to obtain additional revolving credit and term loan facilities not previously contemplated in Birch’s previous filing in Docket No. 13-00083. The Total Senior Credit Facilities will be used by Birch for future acquisitions and other lawful corporate purposes as previously approved in Docket No. 13-00083.¹

The *Application* states that approval of the proposed financing transaction will not result in a change in the rates or terms and conditions of service. In addition, the proposed financing will have no effect on the operations of the entities certificated in Tennessee, and no transfer of certificate, authorization, assets or customers will occur as a result of the Applicants’ participation in the proposed financing transaction.

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

¹ Data Response, p. 1 (January 23, 2014).

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 February 3, 2014, the panel voted unanimously to approve the *Application* and made the following findings:

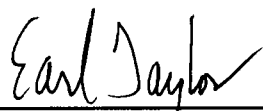
1. The proposed financing transactions are subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed financing transactions are being made in accordance with laws enforceable by this agency.
3. The purpose of the transactions is in the public interest because it will strengthen the Applicants' ability to compete in the marketplace for telecommunications services in Tennessee.

IT IS THEREFORE ORDERED THAT:

1. Birch Telecom of the South, Inc. and Birch Communications, Inc. are authorized to enter into the financing arrangements described in the *Application of Birch Telecom of the South, Inc. dba Birch Communications of the South and Birch Communications, Inc. for Approval of Financing Arrangements*.
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.

Chairman James M. Allison, Vice Chairman Herbert H. Hilliard and Director David F. Jones concur.

ATTEST:



Earl R. Taylor, Executive Director