

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**May 15, 2014**

**IN RE:**

**PETITION OF XO COMMUNICATIONS SERVICES,  
LLC FOR AUTHORITY TO PROVIDE SECURITY IN  
CONNECTION WITH FINANCING**

)  
)  
)  
)  
)

**DOCKET NO.  
14-00028**

---

**ORDER APPROVING FINANCING ARRANGEMENTS**

---

This matter came before Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director David F. Jones of the Tennessee Regulatory Authority ("TRA" or "Authority"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on April 14, 2014, for consideration of the *Petition* filed by XO Communications Services, LLC ("XOCS") on March 18, 2014. XO Communications, LLC ("XO" and together with XOCS, the "Companies") is the parent company of XOCS.

XOCS is a Delaware corporation. In Tennessee, XOCS is authorized to provide local exchange and interexchange telecommunications services pursuant to Authority Order in Docket No. 04-00212 issued on October 7, 2004.

**THE PETITION**

The Companies propose that XOCS provide its guarantee, pledge its equity interests and assets, or otherwise provide security in connection with a financing that will be undertaken by its parent, XO. XO's planned financing will consist of an initial \$500 million term loan facility, with the ability to add an incremental facility or facilities in an aggregate amount of \$250 million. Additionally, XO requests approval for an estimated \$600 million indebtedness based upon XO's ratio of first lien indebtedness to earnings before interest, taxes, depreciation and

amortization (“EBITDA”). The \$600 million indebtedness will be in the form of term loan facilities and/or revolving credit facilities. The proceeds of the financing transaction will be available for investment in telecommunications assets, capital expenditures, general corporate purposes and working capital.

The *Petition* states the proposed financing transaction is not expected to have any direct effect upon the rates of XOCS, nor have any adverse effect upon the services provided by the Companies. The *Petition* also states that consummation of the financing transactions will not result in a change of control of XOCS.

#### **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 April 14, 2014, the panel voted unanimously to approve the *Petition* 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 Companies’ ability to compete in the marketplace for telecommunications services in Tennessee.

**IT IS THEREFORE ORDERED THAT:**

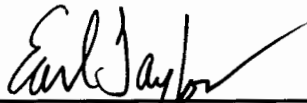
1. XO Communications Services, LLC is authorized to enter into the financing arrangements described in the *Petition*.

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.

**Vice Chairman Herbert H. Hilliard, Director Kenneth C. Hill and Director David F. Jones concur.**

**ATTEST:**

  
\_\_\_\_\_  
**Earl R. Taylor, Executive Director**