

**BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION**

Application of	)	
	)	
NuVox Communications of Missouri, Inc.	)	Case No. _____
	)	
For Authority to Provide Its Security	)	
in Connection with Financing	)	

**APPLICATION**

NuVox Communications of Missouri, Inc. (“NuVox Communications” or “Petitioner”), by its attorneys, hereby respectfully requests approval from the Missouri Public Service Commission (“Commission”) to provide Petitioner’s guarantee, grant a security interest in Petitioner’s assets and pledge Petitioner’s stock in connection with its parent’s borrowing of an amount up to \$260 million in three facilities (collectively, the “Loans”). The Loans are intended: (1) to refinance certain existing debt of NuVox Communications’ parent, Gabriel Communications Financing Company (“Gabriel”); (2) to finance dividend obligations of NuVox, Inc. (“NuVox”), the ultimate parent of NuVox Communications; and (3) for other corporate purposes (collectively, the “Transactions”). The Petitioner requests this authority pursuant to **Section 392.300 RSMo., 4 CSR 240-3.530, 2.060 and 2.080**, and to the extent it may be necessary.<sup>1</sup>

The Loans are also intended to refinance certain existing debt of another company that NuVox intends to acquire, Florida Digital Network, Inc. d/b/a FDN Communications (“FDN”). As a result of the anticipated merger, NuVox will become the ultimate parent company of both NuVox Communications, the Petitioner herein, and its future affiliate, NuVox

Transition Subsidiary, LLC (“FDN LLC”).<sup>2</sup> The Borrowers of the Loans are Gabriel and FDN LLC, both subsidiaries of NuVox. The Loans will be secured by guarantees and security interests granted by subsidiaries of the Borrowers, including NuVox Communications. Neither FDN nor any of its affiliates are authorized to provide telecommunications services in Missouri.

In support of this Petition, NuVox Communications provide the following information:

## **I. PETITIONER**

**1. NuVox Communications.** NuVox is a privately-held Delaware corporation located at Two North Main Street, Greenville, South Carolina 29601. Through its operating subsidiaries, NuVox has operations in 48 markets throughout 16 contiguous Midwestern and Southeastern states. The company is a rapidly growing facilities-based integrated communications provider of voice and data telecommunications services to business customers. NuVox’s subsidiary, NuVox Communications, Inc., a Delaware corporation, provides interexchange and competitive local exchange telecommunications services in the following states: Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee. NuVox also has subsidiaries, all Delaware corporations, that provide interexchange and competitive local exchange telecommunications services in the following states: Arkansas, Illinois, Indiana, Kansas, Missouri, Ohio and Oklahoma. NewSouth Communications of Virginia, Inc. is authorized to provide interexchange and local exchange services in Virginia.

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<sup>1</sup> Although the Petitioner is seeking approval for its participation in this financing transaction, the Petitioner is doing so without prejudice to its right to assert that this transaction is beyond the jurisdiction of the Commission.

<sup>2</sup> This newly-formed entity will change its name to “FDN, LLC d/b/a FDN Communications” at the closing of the merger.

2. FDN LLC is a Delaware limited liability company located at Two North Main Street, Greenville, South Carolina 29601. This entity is a direct, wholly-owned subsidiary of NuVox, formed for the purpose of facilitating the merger with FDN. It is anticipated that FDN will merge into FDN LLC, with FDN LLC surviving. FDN LLC will provide interexchange and competitive local exchange telecommunications services to customers in Florida. FDN LLC's subsidiary, Southern Digital Network, Inc. d/b/a FDN Communications, is authorized to provide telecommunications services in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee.

3. In Missouri, NuVox Communications is a competitive telecommunications company authorized to provide local exchange and interexchange telecommunications services. It is also authorized by the FCC to provide interstate and international telecommunications services. NuVox Communications is in good standing with the Missouri Secretary of State as demonstrated by the certificate attached hereto. Its principal Missouri offices are currently located at 16090 Swingley Ridge Road, Suite 450, Chesterfield, Missouri 63017 (Contact Ed Cadieux: tel 636-537-5743, fax 636-733-5743, email [ecadieux@nuvox.com](mailto:ecadieux@nuvox.com)).

## **II. DESIGNATED CONTACTS**

4. The designated contacts for questions concerning this Petition are:

Carl J. Lumley  
Curtis, Heinz, Garrett & O'Keefe, PC  
130 S. Bemiston, Suite 200  
Clayton, Missouri 63105  
314-725-8788  
314-725-8789 (fax)  
[clumley@lawfirmemail.com](mailto:clumley@lawfirmemail.com)

Melissa Conway  
Kelley Drye & Warren LLP  
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Washington, D.C. 20007  
Tel: (202) 342-8552  
Fax: (202) 342-8451  
mconway@kelleydrye.com

Copies of any correspondence should also be sent to the following designated representative of NuVox Communications:

Riley M. Murphy  
Executive Vice President, General Counsel & Secretary  
Two North Main Street  
Greenville, South Carolina 29601  
(864) 672-5000  
[riley.murphy@nuvox.com](mailto:riley.murphy@nuvox.com)

### **III. DESCRIPTION OF THE PROPOSED FINANCING**

5. The Borrowers intend to use the \$260 million proceeds of the Loans to finance the Transactions. The Loans consist of a \$180 million senior secured Tranche B term loan (“Tranche B Term Facility”) and a \$10 million senior secured revolving credit facility (the “Revolving Facility”, and together with the Tranche B Term Facility, the “First Lien Facilities”), and \$70 million of senior second lien secured term loans (the “Second Lien Facility”). The amounts of the First Lien Facilities and the Second Lien Facility total \$260 million. The lenders include Goldman Sachs Credit Partners L.P. (“GSCP”), Wachovia Bank, National Association and/or other financial institutions selected by GSCP in consultation with the Borrowers. All obligations under the First Lien Facilities and the Second Lien Facility will be guaranteed by NuVox Communications, as a subsidiary of a Borrower, Gabriel. The Petitioner will also grant a security interest in its assets as security for the loans.

6. The exact amounts and terms of the Loans will not be finalized until shortly before funding, and will reflect the market conditions then existing.<sup>3</sup> Some of the terms, such as interest rate, may fluctuate during the term of the Loans due to changes in market conditions and the financial condition and/or the performance of the Borrowers. The terms of the Loans are expected to be the following:

*Funding Providers:* The lenders include Goldman Sachs Credit Partners L.P., Wachovia Bank, National Association and/or other financial institutions selected by GSCP in consultation with the Borrowers. The funding group may change over the life of the Loans.

*Amount:* Up to \$260 million. As described above, the Loans consist of a \$180 million senior secured Tranche B term loan (“Tranche B Term Facility”) and a \$10 million senior secured revolving credit facility (the “Revolving Facility”, and together with the Tranche B Term Facility, the “First Lien Facilities”), and \$70 million of senior second lien secured term loans (the “Second Lien Facility”). The amounts of the First Lien Facilities and the Second Lien Facility total \$260 million.

*Maturity:* The Tranche B Term Facility will mature seven (7) years after the closing date. The Revolving Facility will mature six (6) years after the closing date. The Second Lien Facility will mature eight (8) years after the closing date.

*Interest:* All amounts outstanding under the First Lien Facilities will bear interest in line with current market conditions.

*Security:* Relevant to this Petition, the First Lien Facilities and each Guarantee will be secured by first priority security interests in all assets, including without limitation, all personal, real and mixed property of the Guarantors, including NuVox Communications, including proceeds in respect thereof; their licenses and authorizations as permitted by law; and 100% of their capital stock. The Second Lien Facility will be secured by a second priority security interest in all assets, including without limitation, all personal, real and mixed property of the Guarantors, including NuVox Communications, including proceeds in respect thereof; their licenses and

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<sup>3</sup> To the extent necessary, pursuant to 4 CSR 240-2.060, NuVox Communications seeks a waiver of any requirement under 4 CSR 240-3.530 or otherwise to submit the financing instruments. For the reasons stated above it is not feasible to submit final instruments prior to obtaining approval. No public utility would be affected by this waiver.

authorizations as permitted by law; and 100% of their capital stock. The security documents will contain appropriate provisions indicating that the exercise of certain rights thereunder may be subject to obtaining prior regulatory approval.

*Use of Proceeds:* The proceeds of the Tranche B Term Facility and the Second Lien Term Facility will be used to fund the Transactions, as described above. Amounts available under the Revolving Facility will be used for permitted capital expenditures and permitted acquisitions, to provide for ongoing working capital requirements and for general corporate purposes.

7. To the extent specific approval would be required for provision of such commitments by the Petitioner, such authority is hereby requested.

#### **IV. PUBLIC INTEREST ANALYSIS**

8. Approving this Petition will serve the public interest by enhancing the ability of NuVox and its subsidiaries to grow and compete in the highly competitive markets for telecommunications services in Missouri and nationwide. Approval of the Loans described herein is not expected directly to affect the rates or services of NuVox Communications or its affiliates. The financing arrangement will provide NuVox with the financial resources needed to further grow and expand their business and to compete in today's highly competitive telecommunications environment.

9. The Petitioner competes in Missouri with numerous other interexchange carriers and enhanced service providers as well as incumbent local exchange carriers and other competitive local exchange carriers. Because the Petitioner is non-dominant, it is not subject to rate of return regulation and its capital structure should be immaterial to the Commission. In addition, because of the highly competitive environment in which it operates, the prices Petitioner charges their customers are subject to significant market discipline and the services offered generally are available from multiple other carriers. As a result, the source of funds and

capital structure of NuVox would have no appreciable effect on customers in Missouri or elsewhere. In the unlikely event that Petitioners' capital structure becomes too costly and prices rise, customers may simply migrate to other carriers with better pricing. Thus, any adverse consequences from the financing decisions impact the shareholders, not the customers, and any favorable consequences benefit both shareholders and consumers through higher profits, lower rates, and better services.

10. Moreover, because the public interest is best served by ensuring the continued presence of numerous telecommunications competitors in Missouri, the Commission should use its authority to enable competitors to arrange financing in the manner they deem most appropriate to carry on business so long as there is no adverse impact on the public. Lack of such flexibility will discourage new competitors from entering the state and could encourage existing competitors in the state to seek a more favorable regulatory environment elsewhere, to the detriment of Missouri consumers.

11. NuVox Communications does not have any pending or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application.

12. NuVox Communications does not have any annual report or assessment fees that are overdue in Missouri.

WHEREFORE, the Petitioner respectfully requests that the Commission approve, to the extent necessary, its participation in the Loans, as described herein and further relief as the Commission may deem appropriate.

Respectfully submitted,

NuVox Communications of Missouri, Inc.

/s/ Carl J. Lumley

By:

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Their Counsel

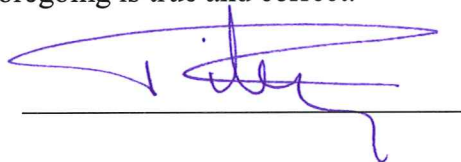
Date: March 28, 2007



## VERIFICATION

I, Riley M. Murphy, am Executive Vice President and General Counsel of NuVox, Inc. I am authorized to represent it and its affiliates and to make this verification on their behalf. The statements in the foregoing document relating to NuVox, Inc. and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.



Subscribed and sworn to before me this 21<sup>st</sup> day of March 2007.



Notary Public

My Commission expires: 05-12-2014

**Certificate of Services**

A true and correct copy of the foregoing document was either emailed, faxed or mailed this 28th day of March, 2007, to:

General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
200 Madison Street, Suite 800  
Jefferson City, MO 65102  
generalcounsel@psc.mo.gov

Office of Public Counsel  
P.O. Box 2230  
200 Madison Street, Suite 640  
Jefferson City, MO 65102  
opcservice@ded.mo.gov

/s/ Carl J. Lumley

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# STATE OF MISSOURI



Robin Carnahan  
Secretary of State

## CORPORATION DIVISION CERTIFICATE OF GOOD STANDING

I, ROBIN CARNAHAN, Secretary of the State of the State of Missouri, do hereby certify that the records in my office and in my care and custody reveal that

***NUVOX COMMUNICATIONS OF MISSOURI, INC***  
F00461475

was created under the laws of this State on the 14<sup>th</sup> day of October, 1998, and is in good standing, having fully complied with all requirements of this office.

IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the GREAT SEAL of the State of Missouri. Done at the City of Jefferson, this 21<sup>st</sup> day of March, 2007.

  
Secretary of State

