



Agenda Date: 7/14/11

Agenda Item: IVC

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
Two Gateway Center, Suite 801  
Newark, NJ 07102  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED JOINT PETITION  
OF PAETEC COMMUNICATIONS, INC., US LEC OF  
PENNSYLVANIA LLC D/B/A PAETEC BUSINESS )  
SERVICES, TALK AMERICA, INC., CAVALIER )  
TELEPHONE MID-ATLANTIC, LLC, AND )  
INTELLIFIBER NETWORKS, LLC FOR AMENDMENT )  
OF PRIOR APPROVAL TO PARTICIPATE IN )  
FINANCING ARRANGEMENTS )

AMENDMENT OF ORDER  
OF APPROVAL

Docket Nos. TF10080629 &  
TM10090678

**James H. Laskey Esq. Norris, McLaughlin & Marcus on behalf of PAETEC Communications**  
**Stefanie A. Brand, Esq. Director Division of Rate Counsel**  
**William A. Haas Vice President of Public Policy & Regulatory PAETEC Holding Corp.**  
**Jean L. Kiddoo Bingham McCutchen LLP. on behalf of PAETEC Holding Corp.**

BY THE BOARD:

In orders Docket Nos. TF10080629 and TM10090678 dated October 20, 2010 and November 10, 2010, the Board approved petitions by PaeTec Communications, Inc. ("PAETEC"), US LEC of Pennsylvania LLC d/b/a PAETEC Business Services ("PAETEC-PA"), Talk America, Inc. ("TA"), Cavalier Telephone Mid-Atlantic, LLC ("CavTel-MA") and Intellifiber Networks, LLC ("Intellifiber") (collectively, the "Petitioners") to participate in various debt financing arrangements. The aggregate amount of authorized financings was \$600 million. Consistent with those orders, Petitioners' parent, PAETEC Holding Corp. ("Parent"), recently completed the issuance of \$450 million in senior notes, which Petitioners guaranteed.

On May 31, 2011, Parent entered into an agreement that will provide for a \$100 million term loan and a \$125 million revolving credit facility (the "Amended Financing"). Since the aggregate amount of the Amended Financing and the notes exceeds the existing financing authority granted by the Board by \$75 million, Parent has advised the Board that it will not draw down more than \$50 million of the Revolver until Petitioners and certain of Parent's other subsidiaries have obtained all the regulatory approvals for them to provide a guaranty and related pledge of their assets as security for the additional \$75 million of the Amended Financing.

On June 2, 2011, the Petitioners petitioned the Board to amend the prior approvals to increase the aggregate amount of authorized financing arrangements by \$75 million, to \$675 million. According to the Petitioners, the increase in the aggregate amount of authorized financing

arrangements is being sought to take advantage of favorable credit conditions. All other aspects of the amended financing, including interest rates, maturity dates and security, are consistent with the Board's prior orders.

Parent anticipates using the proceeds from the amended financing for one or more targeted acquisitions, as well as pay for transaction costs, finance new capital expenditures and for working capital and other general corporate purposes.

By responding to favorable market conditions, Petitioners state that the company will improve and enhance their market position. These benefits indirectly benefit Petitioners and, ultimately, will benefit their respective customers in New Jersey. Petitioners anticipate that their participation in the amended financing arrangements described herein will ultimately strengthen the ability of Petitioners to enhance their service offerings, and provide more advanced telecommunications services to a broader customer base to the benefit of New Jersey consumers and the State's telecommunications marketplace.

Petitioners' participation in the amended financing arrangements described herein will not involve a transfer of authorizations, assets or customers of any Petitioner. Petitioners' participation will be transparent to their respective customers in New Jersey. Petitioners will continue to provide services to their respective New Jersey customers with no changes in the rates or terms and conditions of service as currently provided.

By a letter dated June 15, 2011, the Division of Rate Counsel filed comments with the Board expressing no objection to this petition so long as the benefits to Parent will also provide commensurate benefits to the affiliate operations and services to New Jersey.

After review, the Board FINDS that the proposed amendment to the prior approvals is consistent with the applicable law and the Board HEREBY AUTHORIZES Petitioners to participate in the financing arrangements described in the prior Orders, with a revised aggregate amount of up to \$675 million.

This Order is issued subject to all provisions in the prior Orders and specifically to the following provisions:

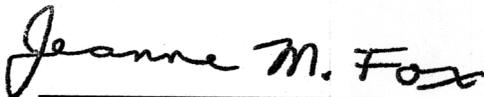
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioners.
2. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioners.
3. Petitioners shall semi-annually file statements for the amounts, use of the amounts and use of the credit facilities pursuant to N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9. Furthermore, Petitioners shall report to the Board and Rate Counsel any financing transactions entered into pursuant to the approval contained in this Order upon completion of the transaction.

4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
5. The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before December 31, 2012.

DATED: 7/14/11

BOARD OF PUBLIC UTILITIES  
BY:

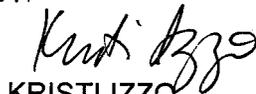
  
LEE A. SOLOMON  
PRESIDENT

  
JEANNE M. FOX  
COMMISSIONER

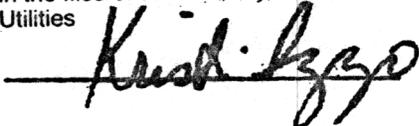
  
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COMMISSIONER

  
NICHOLAS ASSELTA  
COMMISSIONER

ATTEST:

  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



## SERVICE LIST

### In the Matter of the Joint Petition of PAETEC Communications, Inc. and US LEC of Pennsylvania LLC d/b/a PAETEC Business Services for Approval For an Amendment Of a Prior Approval To Participate In Financing Arrangements Docket No. TF10080629

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