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NEWTON M. GALLOWAY
TERRI M. LYNDALL
J. CHADWICK TORRI

June 7, 2011

Via Hand Delivery

Mr. Reece McAlister
Executive Secretary
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, GA 30334

Re: Docket Nos. 6363, 6982 & 13674 - Application of McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services and LDMI Telecommunications, Inc. for Authority to Participate in New Financing Arrangements
REQUEST FOR EXPEDITED ACKNOWLEDGEMENT OF EXEMPTION UNDER O.C.G.A. § 46-2-28(g) OR SUPPLEMENTAL APPROVAL

Dear Mr. McAlister:

McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services ("PAETEC Business") and LDMI Telecommunications, Inc. ("LDMI") (together, the "Applicants"), by their undersigned counsel, hereby request Commission approval pursuant to O.C.G.A. § 46-2-28¹ to participate in an expanded amount of financing arrangements of their ultimate parent company, PAETEC Holding Corp. ("Parent") (Applicants and Parent collectively, the "Parties"), beyond the amount previously approved by the Commission and as described more fully herein or, in the

¹ Applicants submit that they are exempt from the approval requirements of O.C.G.A. § 46-2-28 under O.C.G.A. § 46-2-28(g). The expanded financing arrangements are an interstate transaction, and Applicants are affiliated with five other entities that are competitive local exchange carriers ("CLECs") in Georgia (PaeTec Communications, Inc. ("PAETEC"), US LEC of Georgia LLC d/b/a PAETEC Business Services ("USLEC-GA"), Talk America, Inc. ("TA"), Network Telephone Corp. ("NTC") and Intellifiber Networks, Inc. ("Intellifiber"). Additionally, Applicants' Parent is headquartered and domiciled outside of Georgia. The financing arrangements are between Parent, the primary obligor, and a national bank or other lending or financial institution licensed or authorized to enter into such financing arrangements by a state or federal agency and Applicants are providing a guaranty and related pledge of assets as collateral or other security to the lenders in order to accommodate the debt transaction of Parent. Pursuant to O.C.G.A. § 46-2-28(g), PAETEC, USLEC-GA, TA, NTC and Intellifiber, as competitive local exchange carriers and subsidiaries of Parent, are clearly exempt from the approval requirements of O.C.G.A. § 46-2-28 with respect to their participation in the expanded financing arrangements of Parent.

alternative, a Commission determination that this transaction does not require or is otherwise exempt from the requirement of Commission approval pursuant to O.C.G.A. § 46-2-28(g).

Under the terms of the financing arrangements, Applicants are required to provide a guaranty and related pledge of their assets as security for the Term Loan (as defined below) within 60 days of closing. So that the Parties can comply with the terms of the financing arrangements, Applicants request that the Commission act expeditiously on this Application and in no event later than the Commission's Administrative Session scheduled for July 5, 2011, if it is determined that Commission approval is required.

In support of this Application, the Parties provide the following information:

Description of the Parties

Parent is a publicly traded Delaware corporation (NASDAQ GS: PAET) with its headquarters located at One PAETEC Plaza, 600 Willow Brook Office Park, Fairport, New York 14450. Parent is the parent of PAETEC Corp., a Delaware corporation that holds 100 percent of PAETEC and, indirectly through it and other intermediate holding companies, PAETEC Business, USLEC-GA, TA, LDMI, NTC and Intellifiber. Through its regulated operating subsidiaries, including those operating in Georgia, Parent has a presence in 86 of the nation's top 100 MSAs, delivering communications solutions to business customers in 48 states and the District of Columbia. Additional information regarding Parent, including its most recent SEC Form 10-K, as filed with the Securities and Exchange Commission, is available at www.paetec.com/investors. A corporate structure chart of Parent and its subsidiaries is provided as Exhibit A.

In Georgia, PAETEC Business is authorized to provide (1) resold interexchange telecommunications services pursuant to Certificate No. R-417 granted in Docket No. 6982-U, (2) facilities-based intraLATA and interLATA telecommunications services pursuant to Certificate No. X-1031 granted in Docket No. 13674-U, and (3) interexchange alternate operator services pursuant to Certificate No. A-0203 granted in Docket No. 6982-U. LDMI is authorized to provide interexchange telecommunications services pursuant to Certificate No. R-0407 granted in Docket No. 6363-U.²

² As stated above, the following affiliates of Applicants hold competitive local exchange certificates:

PAETEC is authorized to provide (1) resale and facilities-based competitive local exchange services pursuant to Certificate No. L-0182 granted in Docket No. 11575-U and (2) resold interexchange services pursuant to Certificate No. R-0580 granted in Docket No. 9720-U.

USLEC-GA is authorized to provide (1) competitive local exchange services pursuant to Certificate No. L-045 granted in Docket No. 7539-U; (2) resold interexchange services pursuant to Certificate No. R-479 granted in Docket No. 7540-U; and (3) interexchange alternate operator services pursuant to Certificate No. A-144 granted in Docket No. 8328-U.

TA is authorized to provide (1) competitive local exchange telecommunications services pursuant to Certificate No. L-042 granted in Docket No. 7559-U and (2) resold interexchange telecommunications services pursuant to Certificate No. R-0109 granted in Docket No. 5675-U.

NTC is authorized to provide (1) competitive local exchange pursuant to Certificate No. L-0107 granted in Docket No. 9471-U and (2) resold interexchange telecommunications services pursuant to Certificate No. R-0574 granted in Docket No. 9763-U.

Designated Contacts

Questions, correspondence or other communications concerning this filing should be directed to the Parties' counsel of record:

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Terri M. Lyndall, Esq.
J. Chadwick Torri, Esq.
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Policy & Regulatory
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william.haas@paetec.com

Description of the Financing Arrangements

The Commission recently authorized Applicants to participate in up to \$450 million in notes and \$125 million in revolving loan facilities of Parent.³ Parent recently completed part of the approved financing arrangements when it issued, and Applicants and Parent's other subsidiaries guaranteed, \$450 million in senior notes. On May 31, 2011, Parent entered into an agreement that provides for a \$100 million term loan (the "Term Loan") and a \$125 million revolving loan facility (the "Revolver") (the "Amended Financing").⁴ Although the prior authorization covers the Revolver, Applicants require

Intellifiber is authorized to provide (1) competitive local exchange telecommunications services pursuant to Certificate No. L-0308 granted in Docket No. 15374-U and (2) facilities-based interexchange telecommunications services pursuant to Certificate No. X-1051 granted in Docket No. 15375-U.

³See Letter Orders issued in Docket Nos. 13674, 11575, 7539, 15374, 9471, 6363 and 7559 on November 8, 2010, December 1, 2010 and February 9, 2011.

⁴A copy of the agreement will be available at www.paetec.com/investors. In the interim, Applicants provide as Exhibit B Parent's SEC Form 8-K that summarizes the terms of the agreement.

authorization to participate in the Term Loan. Until this Commission authorizes Applicants to provide a guaranty and related pledge of their assets as security for the Term Loan, or finds Applicants exempt from any approval requirements, Applicants will not provide such a guaranty or related pledge of their assets as security for the Term Loan. The Amended Financing provides that the Term Loan will have an interest rate of LIBOR plus 3.5 basis points and a maturity of seven (7) years. Under the terms of the agreement, Applicants are expected to provide guaranties and related pledges of assets as security for the Term Loan no later than 60 days after closing.

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.

Public Interest Considerations

An acknowledgement that Applicants are exempt from approval, or a grant of this Application, will serve the public interest of Georgia because the authorization requested will enable Parent to take advantage of the currently favorable financing market conditions that will benefit the company as a whole, including Applicants and Parent's other subsidiaries operating in Georgia. The Amended Financing is expected to enhance the respective competitive position of Applicants (and Parent's other subsidiaries operating in Georgia) in the Georgia telecommunications marketplace, all of which ultimately will inure to the benefit of their respective Georgia customers and other Georgia enterprise entities and consumers that may choose PAETEC as their service provider in the future. Further, the funds obtained through the financing arrangements are necessary and appropriate, are consistent with the performance by the Applicant (and Parent's other subsidiaries operating in Georgia) of their services to the public, will not impair their ability to perform such services and will promote the corporate purposes of the Applicant (and Parent's other subsidiaries operating in Georgia).

Finally, an acknowledgement that Applicants are exempt from approval, or a grant of this Application, is consistent with the public interest because no transfer of any Certificate, assets or customers will occur as a result of participation by Applicants (and Parent's other subsidiaries operating in Georgia) in the Amended Financing. Immediately following the execution by Applicants (and Parent's other subsidiaries operating in Georgia) of the relevant documents in connection with such Amended Financing, they will continue to provide service to their respective Georgia customers pursuant to their respective authorization with no change in the rates or terms and conditions of service as currently provided. Their participation in the financing arrangements will therefore be transparent to their Georgia customers.

Conclusion

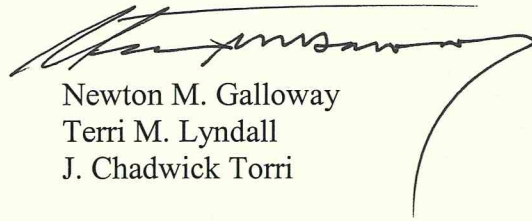
For the foregoing reasons, the Parties submit that the public interest, convenience, and necessity would be furthered by the Commission either (1) acknowledging that Applicants are exempt from the approval requirements of O.C.G.A. § 46-2-28, or in the alternative, (2) approving this Application, thus authorizing Applicant to participate in an additional \$100 million in the Amended Financing described herein.

Mr. Reece McAlister
June 7, 2011
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An original and copies of this document are enclosed for filing. Please date-stamp the extra copy of this filing and return it in the envelope provided. Should you have any questions, please do not hesitate to contact us.

Sincerely,

GALLOWAY & LYNDALL, LLP
Counsel for Applicants

A handwritten signature in black ink, appearing to read "Newton M. Galloway", with a long, sweeping flourish extending from the end of the signature.

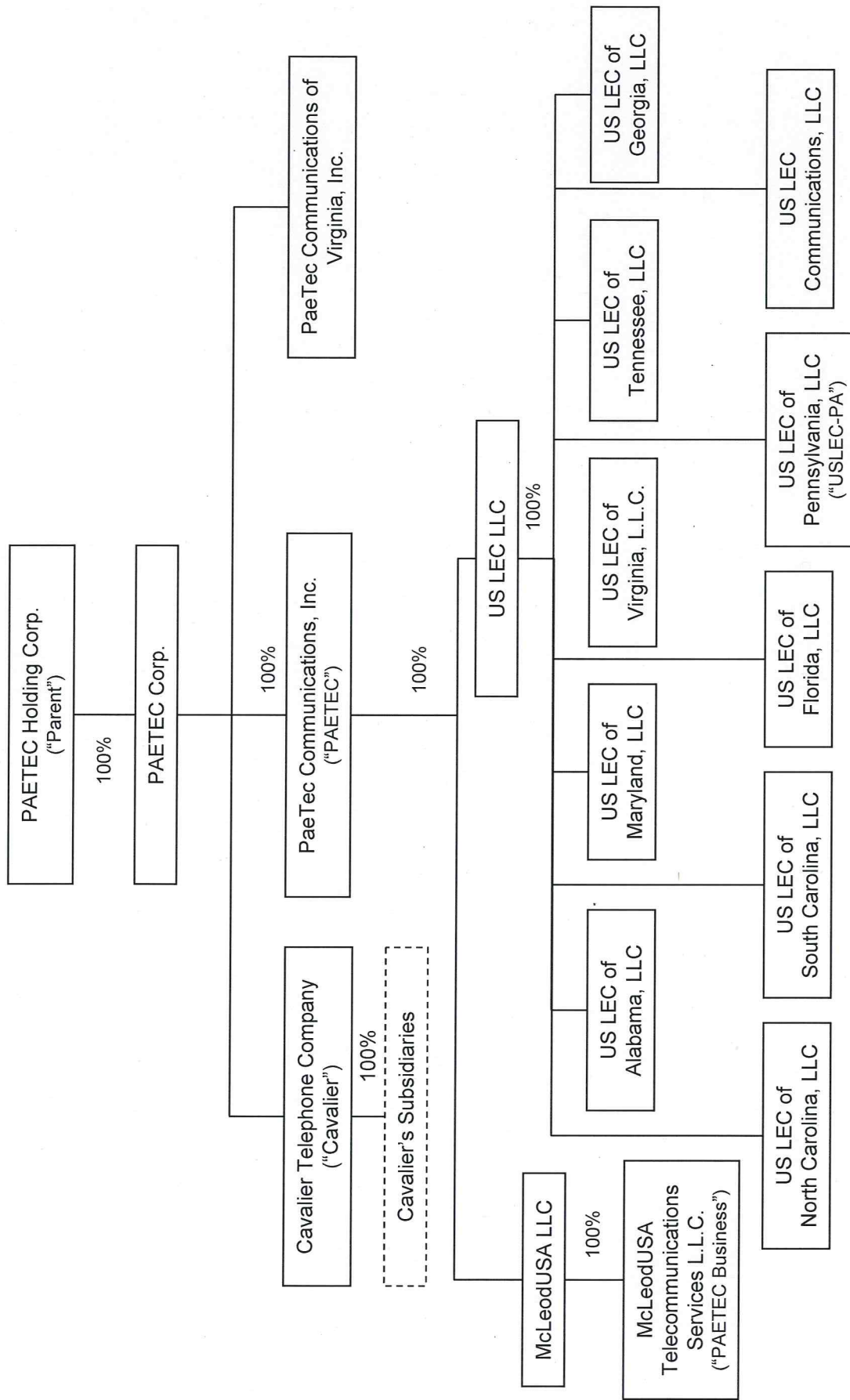
Newton M. Galloway
Terri M. Lyndall
J. Chadwick Torri

NMG/TML/JCT:dln
Enclosures

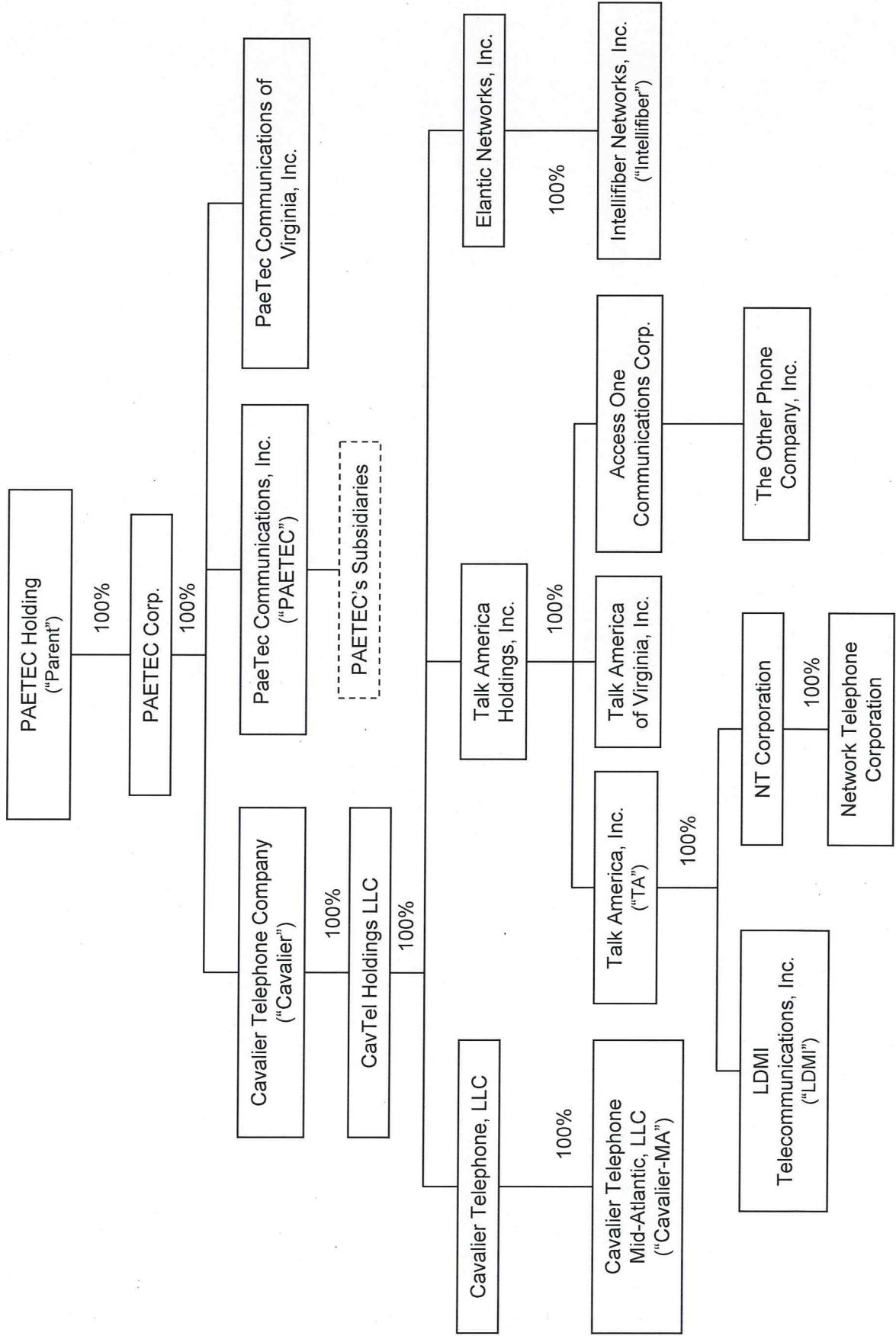
EXHIBIT A

Corporate Structure Chart of Parent

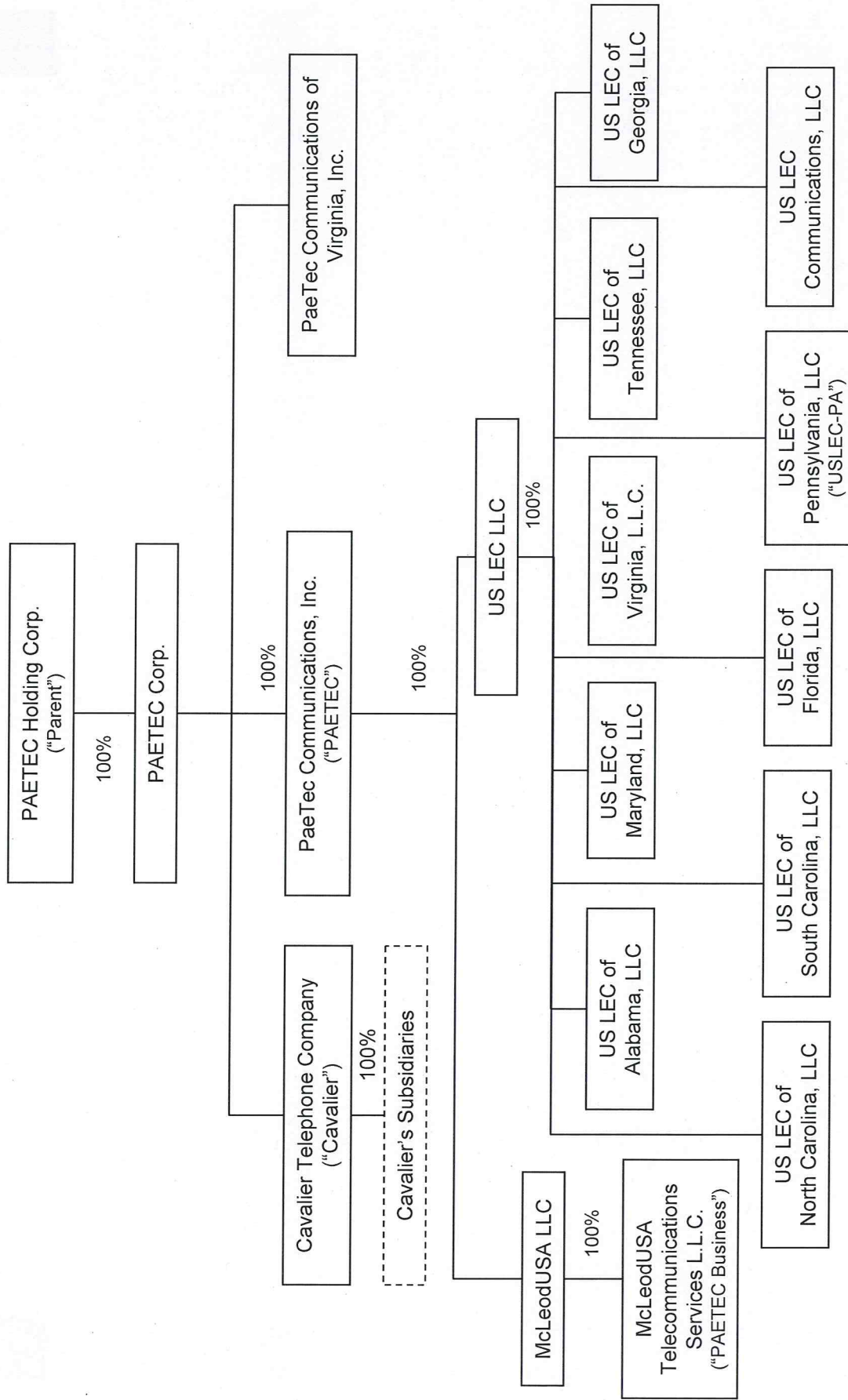
Regulated Subsidiaries of Parent (PAETEC Subsidiaries)



Regulated Subsidiaries of Parent (Cavalier Subsidiaries)



Regulated Subsidiaries of Parent (PAETEC Subsidiaries)



Regulated Subsidiaries of Parent (Cavalier Subsidiaries)

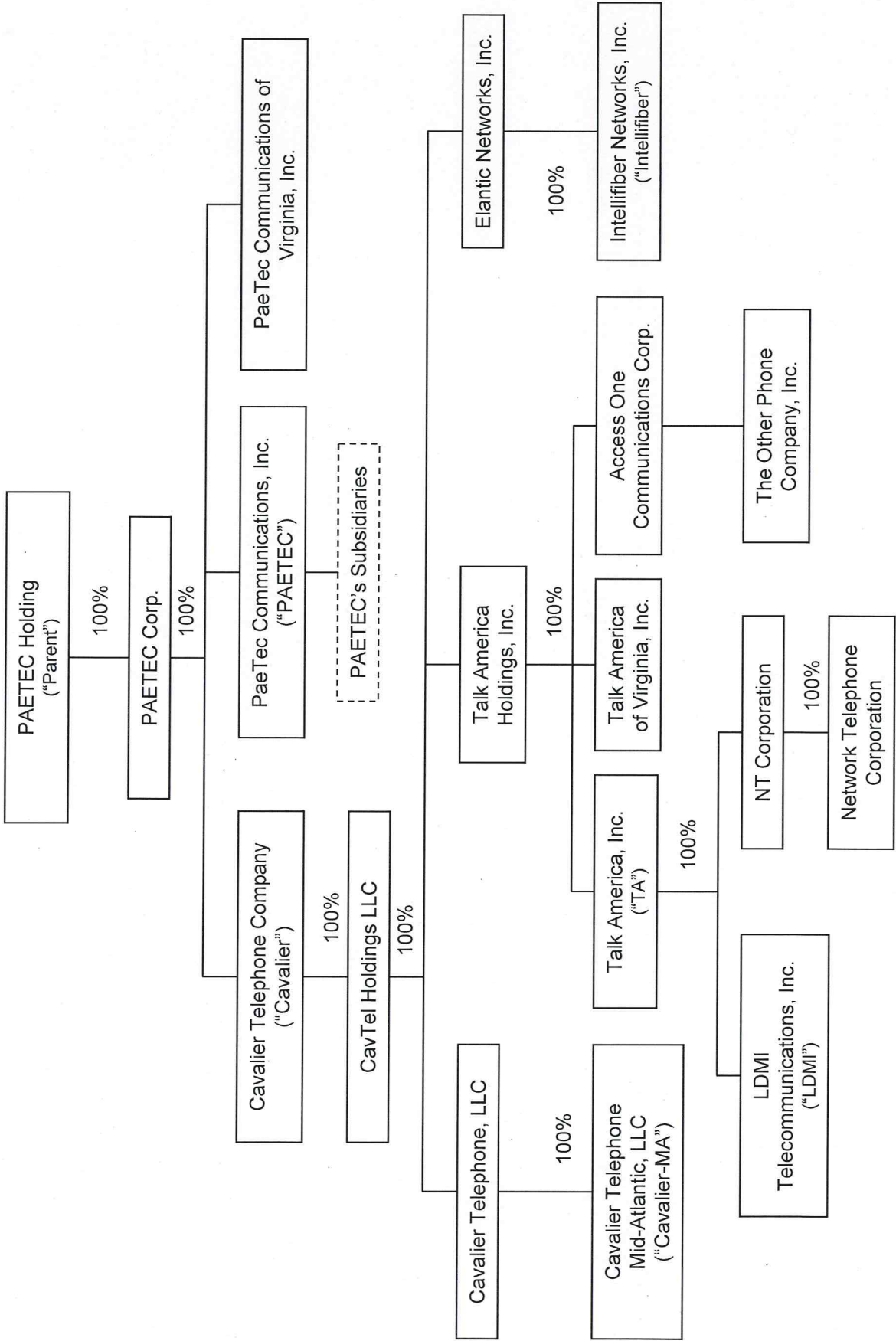


EXHIBIT B

SEC Form 8-K of Parent

PAETEC Holding Corp. (PAET)

8-K

Current report filing

Filed on 05/31/2011

Filed Period 05/31/2011



THOMSON REUTERS

Westlaw[®] BUSINESS

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 31, 2011

PAETEC Holding Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

One PAETEC Plaza
600 Willowbrook Office Park
Fairport, New York
(Address of principal executive offices)

000-52486
(Commission
File Number)

20-5339741
(IRS Employer
Identification No.)

14450
(Zip Code)

Registrant's telephone number, including area code: (585) 340-2500

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

On May 31, 2011, PAETEC Holding Corp. ("PAETEC Holding") entered into an Amended and Restated Credit Agreement, dated as of May 31, 2011 (the "Credit Agreement"), among PAETEC Holding, as Borrower, the Lenders party thereto, Bank of America, N.A., as Administrative Agent, Deutsche Bank Securities Inc. and Goldman Sachs Bank USA, as Co-Syndication Agents, and JPMorgan Chase Bank, N.A. and Credit Suisse Securities (USA) LLC, as Co-Documentation Agents. The Credit Agreement amends and restates the Credit Agreement, dated as of February 28, 2007, as amended (the "Original Credit Agreement"), among PAETEC Holding, as Borrower, the Lenders party thereto, Deutsche Bank Trust Company Americas, as Administrative Agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Syndication Agent, and CIT Lending Services Corporation, as Documentation Agent.

Under the Credit Agreement, the lenders have made available to PAETEC Holding \$225 million of senior secured credit facilities consisting of the following:

- a \$100 million term loan credit facility under which PAETEC Holding obtained term loans on May 31, 2011 in an aggregate principal amount of \$100 million; and
- a revolving credit facility under which PAETEC Holding may obtain from time to time revolving loans of up to an aggregate principal amount of \$125 million outstanding at any time.

PAETEC Holding is the borrower under the term loan and revolving credit facilities. All obligations under the facilities are unconditionally guaranteed on a senior secured basis by all of PAETEC Holding's directly and indirectly owned domestic subsidiaries, except as expressly provided in the Credit Agreement (such subsidiary guarantors collectively with PAETEC Holding, the "PAETEC loan parties"). The obligations of the PAETEC loan parties under the credit facilities are secured by first-priority liens on, and first-priority security interests in, substantially all of their assets.

PAETEC Holding may elect, subject to pro forma compliance with a total leverage ratio covenant and other conditions, to solicit the lenders under the Credit Agreement or other prospective lenders to extend up to \$300 million in aggregate principal amount of additional loans under the credit facilities.

Borrowings under the credit facilities may be used for working capital, capital expenditures and general corporate purposes, including payment of outstanding borrowings incurred by PAETEC Holding under the Original Credit Agreement and payment of the merger consideration and other costs and expenses related to the completion of PAETEC Holding's previously announced acquisition by merger of XETA Technologies, Inc. See Item 2.03 of this report for information about the application of the \$100 million of term loan borrowings incurred by PAETEC Holding on the credit facility closing date of May 31, 2011. A portion of the revolving credit facility is available for the issuance of letters of credit to support PAETEC Holding's operating requirements.

The term loan facility will mature on May 31, 2018. PAETEC Holding will be required to make quarterly principal payments of \$250,000 beginning in the quarter ending June 30, 2011 and continuing each quarter through the term loan facility maturity date. In addition, PAETEC Holding will be required to make principal repayments under the term loan facility from specified excess cash flows from operations and from the net proceeds of specified types of asset sales, debt issuances, and insurance recovery and condemnation events.

The revolving credit facility will mature on May 31, 2016 except that, if more than \$25 million in aggregate principal amount of PAETEC Holding's outstanding 9.5% Senior Notes due 2015 are outstanding on January 15, 2015, the revolving credit facility will mature on January 15, 2015. There are no scheduled principal payments under the revolving loans. Any outstanding revolving loans will be payable in full on the revolving loan maturity date.

Interest accrued on borrowings outstanding under the credit facilities generally is payable on a monthly or quarterly basis. The term loan borrowings bear interest, at PAETEC Holding's option, at an annual rate equal to either a specified base rate plus a margin of 2.50%, or the applicable London interbank offered rate ("LIBOR") plus a margin of 3.50%. The margin applicable to loans under the revolving credit facility is subject to specified reductions based on certain reductions in the company's total leverage ratio and is either the specified base rate plus a margin of 1.75% to 2.25% or LIBOR plus a margin of 2.75% to 3.25%. The base rate is equal to the highest of a specified prime lending rate, the overnight federal funds rate plus 0.50%, one month LIBOR plus 1.00%, and, with respect to term loan borrowings, 2.50%. Subject to availability and other conditions, PAETEC Holding has the right to select interest periods of 1, 2, 3, 6 or, in the case of the revolving credit facility borrowings (subject to the approval of the revolving credit lenders), 9 or 12 months for LIBOR loans.

The Credit Agreement contains customary representations and warranties by PAETEC Holding, as well as customary events of default. The Credit Agreement requires the PAETEC loan parties to comply with affirmative and negative covenants customarily applicable to senior secured credit facilities, including covenants restricting the ability of the PAETEC loan parties, subject to specified exceptions, to incur additional indebtedness and additional liens on their assets, engage in mergers or acquisitions or dispose of assets, pay dividends or make other distributions, voluntarily prepay certain other indebtedness, enter into transactions with affiliated persons, make investments, change the nature of their businesses and amend the terms of certain other indebtedness. The Credit Agreement permits the incurrence of \$55 million of non-recourse debt for the acquisition and construction of PAETEC Holding's new corporate headquarters.

PAETEC Holding is required to satisfy a total leverage ratio under which the ratio of its consolidated debt to its adjusted consolidated EBITDA (as defined for purposes of the Credit Agreement) will not be permitted to be greater than (a) 5.00:1.00 on the last day of any fiscal quarter ending before December 31, 2011 or (b) 4.75:1.00 on the last day of any fiscal quarter ending on or after December 31, 2011.

Upon the effectiveness of the Credit Agreement, the credit facilities under the Original Credit Agreement and all commitments of the lenders thereunder were terminated.

Bank of America, N.A., Deutsche Bank Securities Inc., Goldman Sachs Bank USA, JPMorgan Chase Bank, N.A. and Credit Suisse Securities (USA) LLC or their affiliates have provided investment banking services to PAETEC and/or have been lenders under PAETEC's senior secured credit facilities.

The information set forth under Items 2.03 and 8.01 of this report is incorporated by reference in this Item 1.01.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off Balance Sheet Arrangement of a Registrant.

The information set forth under Items 1.01 and 8.01 of this report is incorporated by reference in this Item 2.03.

On May 31, 2011, upon the closing of the transactions under the Credit Agreement for PAETEC Holding's new senior secured credit facilities described under Item 1.01 of this report, PAETEC Holding became obligated as the borrower, and, except as expressly provided in the Credit Agreement, PAETEC Holding's directly and indirectly owned domestic subsidiaries became obligated as guarantors, under \$100 million in aggregate principal amount of first-lien secured indebtedness under the term loan facility. PAETEC Holding and its subsidiaries applied or will apply the proceeds of such indebtedness as follows:

- approximately \$69.5 million to pay the merger consideration and associated costs and expenses related to the completion on May 31, 2011 of PAETEC Holding's previously announced acquisition by merger of XETA Technologies, Inc., including repayment of borrowings outstanding under the acquired company's revolving line of credit;
- approximately \$25.1 million to repay in full all outstanding revolving loans incurred under the Original Credit Agreement; and
- the remaining proceeds to pay fees and expenses incurred in connection with the new credit facilities, and for other general corporate purposes.

PAETEC Holding received gross proceeds of \$99.8 million from its \$100 million of borrowings under the term loan facility.

Subject to conditions of availability under the revolving credit facility, PAETEC Holding may become obligated as the borrower, and PAETEC Holding's directly and indirectly owned domestic subsidiaries may become obligated as guarantors, under up to \$125 million in aggregate principal amount of additional first-lien secured indebtedness outstanding at any time.

The Credit Agreement contains customary events of default, including an event of default upon a change of control of PAETEC Holding. An event of default will occur under the new credit facilities if PAETEC Holding or, in some circumstances, another PAETEC loan party fails to make any payment when due, fails to comply with affirmative or negative covenants, makes a material misrepresentation, defaults on other specified indebtedness, fails to discharge specified judgments, loses a material license or governmental approval, becomes subject to specified claims under ERISA or environmental laws, or becomes subject to specified events of bankruptcy, insolvency, reorganization or similar events. If an event of default occurs and is not cured within any applicable grace period or is not waived, the lenders would have the right to accelerate repayment of the indebtedness under the credit facilities to the extent provided in the Credit Agreement and other credit documents and applicable law.

Item 8.01 Other Events.

The information set forth under Items 1.01 and 2.03 of this report is incorporated by reference in this Item 8.01.

On May 31, 2011, PAETEC Holding completed its previously announced acquisition by merger of XETA Technologies, Inc ("XETA") pursuant to the Agreement and Plan of Merger, dated February 8, 2011 (the "Merger Agreement"), by and among PAETEC Holding, Hera Corporation, an indirect wholly-owned

subsidiary of PAETEC Holding, and XETA. Under the terms of the Merger Agreement, Hera Corporation merged with and into XETA (the "Merger"), with XETA continuing as the surviving corporation of the Merger and as an indirect wholly-owned subsidiary of PAETEC Holding.

At the effective time of the Merger, each share of XETA common stock issued and outstanding immediately prior to the effective time (other than shares held in the treasury of XETA and any shares owned by PAETEC Holding or any of its subsidiaries) was converted into the right to receive \$5.50 in cash, without interest (the "Merger Consideration"). In addition, immediately prior to the effective time of the Merger, all remaining forfeiture restrictions applicable to restricted shares of XETA common stock under XETA's 2004 Omnibus Stock Incentive Plan expired and the holders thereof became entitled to receive the Merger Consideration with respect to each such share. Certain options to purchase shares of XETA common stock outstanding immediately prior to the effective time of the Merger became fully vested immediately prior to the effective time. Holders of warrants and vested options to purchase XETA common stock became entitled to receive (in each case, in accordance with the terms of their respective plans and agreements) the product of (a) the number of shares of XETA common stock that would have been acquired upon the exercise of the warrant or stock option, multiplied by (b) the excess, if any, of the Merger Consideration over the exercise price to acquire a share of XETA common stock under such warrant or stock option. The total Merger Consideration was approximately \$61 million.

The foregoing description of the Merger Agreement does not purport to be complete and is subject to, and qualified in its entirety by, reference to the full text of the Merger Agreement, which was previously filed as Exhibit 2.1 to PAETEC Holding's Current Report on Form 8-K filed on February 10, 2011 with the Securities and Exchange Commission.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits. PAETEC Holding herewith files the following exhibit:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
2.1	Agreement and Plan of Merger, dated February 8, 2011, among PAETEC Holding Corp., Hera Corporation and XETA Technologies, Inc. (including form of Voting Agreement). Filed as Exhibit 2.1 to the Current Report on Form 8-K of PAETEC Holding filed on February 10, 2011 and incorporated herein by reference.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 31, 2011

PAETEC Holding Corp.

/s/ Mary K. O'Connell

Mary K. O'Connell

Executive Vice President, General Counsel and Secretary

(Duly Authorized Officer)

INDEX TO EXHIBITS

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