

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

1200 19<sup>TH</sup> STREET, N.W.

SUITE 500

WASHINGTON, D.C. 20036

(202) 955-9600

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FACSIMILE  
(202) 955-9792  
www.kelleydrye.com

DIRECT LINE: (202) 955-9667  
EMAIL: mconway@kelleydrye.com

March 30, 2004

**RECEIVED**

MAR 31 2004

**PUBLIC SERVICE  
COMMISSION**

**VIA UPS**

Ms. Stephanie Bell, Secretary  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

Re: Informational Filing of Xspedius Management Co. Switched Services, LLC, Xspedius Management Co. of Lexington, LLC and Xspedius Management Co. of Louisville, LLC Regarding Their Intent to Provide Security in Connection with Financing

Dear Ms. Bell:

Xspedius Management Co. Switched Services, LLC,<sup>1</sup> Xspedius Management Co. of Lexington, LLC<sup>2</sup> and Xspedius Management Co. of Louisville, LLC<sup>3</sup> (collectively, "Xspedius" or "Parties"), by their attorneys, hereby respectfully advise the Kentucky Public Service Commission ("Commission"), pursuant to the Commission's Administrative Case No. 359 and No. 370 (the "Administrative Cases"), of their intent to incur indebtedness in connection with a Loan and Security Agreement ("Agreement") consisting of a \$20 million line of credit facility ("Credit Facility"). It is anticipated that the Parties will be Borrowers under the Agreement and that the Credit Facility will be secured by the grant of a security interest in certain property of the certificated entities in Kentucky, the Parties, their ultimate parent corporation, Xspedius Communications, LLC, as well as various other subsidiaries of Xspedius Communications, LLC (collectively, the "Company" or "Borrowers"). Pursuant to the

<sup>1</sup> The Commission authorized Xspedius Management Co. Switched Services, LLC to provide service on August 6, 2002, T 63-0785.

<sup>2</sup> The Commission authorized Xspedius Management Co. of Lexington, LLC to provide service on August 6, 2002, T 63-0787.

<sup>3</sup> The Commission authorized Xspedius Management Co. of Louisville, LLC to provide service on August 6, 2002, T 63-0786.

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Administrative Cases, the Parties understand that they are exempted from filing an application for prior approval of securing evidence of indebtedness. In support of this notification, Xspedius provides the following information:

**The Parties.** The Parties are wholly owned subsidiaries of Xspedius Communications, LLC, a Delaware limited liability company that functions as a holding company. The Company is headquartered at 5555 Winghaven Boulevard, O'Fallon, Missouri 63366. Through its subsidiaries, Xspedius Communications, LLC provides advanced, integrated telecommunications services targeted to residential and small business customers, including local and long distance telephone services in combination with enhanced communication features. Through various subsidiaries, including the Parties, the Company currently is authorized to provide competitive local and long distance telecommunications services in approximately 20 states, with more than 3,500 route miles of fiber in a total of 52 markets. The Parties are also authorized by the Federal Communications Commission to provide both interstate and international telecommunications services.

**Description of the Transaction.** The Parties intend to incur indebtedness by becoming Borrowers and granting a security interest in certain of their property in connection with financing of up to \$20 million. Specifically, the Credit Facility contemplated by the Agreement will be secured by the Parties' grant of a security interest in their accounts receivable, various intangibles, contract rights and other specified assets. The Agreement among the Borrowers and LaSalle Business Credit, LLC, a Delaware limited liability company (the "Lender"), contemplates a Credit Facility, the terms of which are expected to be substantially as follows:

*Lender:* The lender is expected to be LaSalle Business Credit LLC.

*Amount:* Up to \$20 million.

*Maturity:* The initial term is expected to be from the date of the Agreement until March 2007 and will automatically renew for 1-year periods unless (i) the Lender terminates the Agreement at the end of the initial term or the end of any renewal term; (ii) the due date of the liabilities is accelerated pursuant to the Agreement; or (iii) any Borrower terminates the Agreement at the end of the initial term or the end of any renewal term upon proper written notice to the Lender pursuant to the Agreement.

*Interest:* The loans will bear interest at the per annum rate of interest of either (i) the Prime Rate in effect from time to time, plus 1 - 1.50%, payable monthly in arrears; (ii) the LIBOR Rate for the applicable period, plus 3%, fixed for such interest period, payable monthly in arrears; or (iii) upon the occurrence of an event of default, 2% in excess of the interest rate otherwise payable,

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payable on demand. The Prime Rate is the Lender bank's prime rate in effect from time to time.

*Security:* To secure the Credit Facility, each Borrower, including the Parties, will grant the Lender a security interest in its accounts receivable, general intangibles, contract rights and other specified assets.

*Use of Proceeds:* It is intended that all monies and property obtained by a Borrower from the Lender will be used solely for the business purposes of such Borrower.

**Public Interest Considerations.** This financing transaction will serve the public interest by enhancing the ability of the Parties to grow and compete in the highly competitive markets for telecommunications services in Kentucky and nationwide. The financing arrangement will provide Xspedius with the financial resources needed to continue to produce new products and services and respond to the highly competitive telecommunications environment. Xspedius competes in Kentucky and other markets with numerous other interexchange carriers and enhanced service providers as well as the incumbent local exchange carrier and other competitive local exchange carriers. Because Xspedius is a non-dominant carrier, it is not subject to rate of return regulation and its capital structure should not be a matter of concern to the Commission. In addition, because of the highly competitive environment in which it operates, the rates charged customers are subject to market discipline and the services offered generally are available from other carriers. As a result, the source of funds and capital structure of the Parties would have little effect on customers in Kentucky or elsewhere. In the unlikely event that the Parties' capital structure becomes too costly and rates rise, customers may simply migrate to other carriers with preferred rates. Thus, any adverse consequences from the Companies' financing decisions impact on shareholders, not on the Companies' customers, and any favorable consequences benefit both shareholders and consumers through higher profits, lower rates and better services.

Moreover, because the public interest is best served by assuring the presence of numerous telecommunications competitors in Kentucky, it is important to provide such competitors with the flexibility to arrange their financing in the manner they deem most appropriate to carry on their business so long as there is no adverse impact on the public. The financing transaction described herein is not expected to directly affect in any way the rates or services of Xspedius or its affiliates, or result in any change in control of Xspedius or its affiliates.

KELLEY DRYE & WARREN LLP

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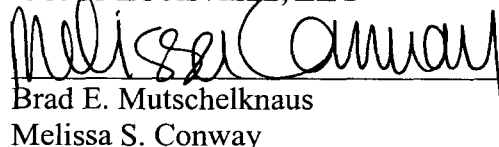
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As noted above, it is the Parties' understanding that no prior Commission approval is required to consummate the transaction described herein. This information is being submitted, therefore, solely to keep the Commission advised and its records current. Enclosed please find 10 copies and a duplicate copy of this filing. Also enclosed is a self-addressed, postage-paid envelope. Please date-stamp the envelope and return it in the envelope provided. Please do not hesitate to contact Melissa Conway at (202) 955-9667 should you have any questions or believe that any further action is required.

Respectfully submitted,

**XSPEDIUS MANAGEMENT CO. SWITCHED  
SERVICES, LLC, XSPEDIUS MANAGEMENT CO. OF  
LEXINGTON, LLC AND XSPEDIUS MANAGEMENT  
CO. OF LOUISVILLE, LLC**

By:



Brad E. Mutschelknaus

Melissa S. Conway

KELLEY DRYE & WARREN LLP

1200 19<sup>th</sup> Street, N.W., Suite 500

Washington, D.C. 20036

(202) 955-9600

Their Counsel

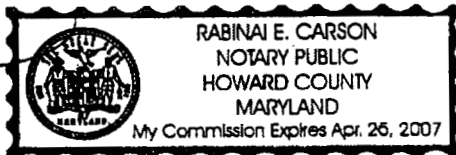
VERIFICATION

I, James C. Falvey, am authorized to represent Xspedius Communications, LLC and its affiliates and to make this verification on their behalf. Except as otherwise specifically attributed, the statements in the foregoing document relating to these companies are true of my own knowledge, other than as to matters that are stated therein on information or belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

*James C. Falvey*  
James C. Falvey  
Senior Vice President, Regulatory Affairs  
Xspedius Communications, LLC

Subscribed and sworn to before me this 30<sup>th</sup> day of March 2004.

*Rabina E. Carson*  
Notary Public



My Commission expires: \_\_\_\_\_

