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PUBLIC SERVICE  
COMMISSION

February 15, 2005

**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, Xspedius Management Co. of Lexington, LLC and Xspedius Management Co. of Louisville, LLC<sup>1</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 financing being arranged for their parent, Xspedius Communications, LLC (the "Borrower"), consisting of a senior secured loan ("Loan") in an amount up to \$100 million. It is anticipated that the Loan will be secured by the grant of a security interest in certain property of the Parties in Kentucky. It is also anticipated that the Parties will be Guarantors in support of the Loan. Pursuant to the 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:

<sup>1</sup> The Commission authorized Xspedius Management Co. Switched Services, LLC to provide service on August 6, 2002, T 63-0785; Xspedius Management Co. of Lexington, LLC on August 6, 2002, T 63-0787; Xspedius Management Co. of Louisville, LLC on August 6, 2002, T 63-07786.

**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 (together with its subsidiaries, the "Company") 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 Petitioners, the Company currently is authorized to provide competitive local and long distance telecommunications services in 20 states and the District of Columbia, operating 2,273 metropolitan fiber route miles (as of December 31, 2004), in a total of 55 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 giving their guarantees and granting a security interest in certain of their property in connection with financing of up to \$100 million.<sup>2</sup> Specifically, it is anticipated that, although the Parties will not be borrowers, the contemplated Loan will be secured by their guarantees and the grant of a security interest in their property and assets, including accounts receivable, equipment, copyrights and the like, general intangibles, cash and cash equivalents and other specified assets. The exact amounts and terms will not be finalized until the arrangements have been completed or shortly before funding and will reflect the market conditions then existing. Some of the terms such as interest may fluctuate during the term of the Loan due to changes in market conditions and the Company's financial condition. The terms of the Loan are expected to be substantially as follows:

*Lender:* It is expected that the lender or lenders will consist of banks or other financial institutions.

*Amount:* Up to \$100 million.

*Maturity:* The maturity date is expected to be February 15, 2010. Repayments are expected to commence on June 30, 2005 and be made in consecutive quarterly installments.

*Interest:* The Loan will bear interest at an annual rate equal to the 3-month LIBOR rate or the Prime rate, plus a margin to be agreed upon among Xspedius and the lenders, calculated based upon a year of 360 days for actual days elapsed and payable on the last day of each quarter in arrears in cash. The default rate is 2% in excess of the interest rate otherwise payable.

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<sup>2</sup> Please note that, by letter filed March 31, 2004, the Company advised the Commission of the Parties' previous participation in financing of up to \$20 million.

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*Security:* The Loan is expected to be secured by the guarantees of the Parties and by a security interest in their assets including accounts receivable, equipment, copyrights and the like, general intangibles, cash and cash equivalents and other specified assets. The security documents will include appropriate provisions indicated that the exercise of certain rights thereunder may be subject to obtaining prior regulatory approval.

*Use of Proceeds:* It is intended that the Borrower will use the proceeds of the Loan to refinance existing indebtedness and for general corporate purposes.

**Public Interest Considerations.** This financing transaction will serve the public interest by enhancing the ability of Xspedius 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.

Ms. Stephanie Bell, Secretary

February 15, 2005

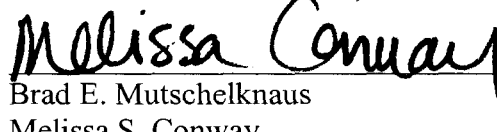
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As noted above it is Xspedius' understanding that no prior Commission approval is required to consummate the transaction described herein. This information is being submitted, therefore, solely to keep the Commission advised and its records current. 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 duplicate upon receipt and return 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. OF LEXINGTON,  
LLC, XSPEDIUS MANAGEMENT CO. OF  
LOUISVILLE, LLC AND XSPEDIUS MANAGEMENT  
CO. SWITCHED SERVICES, LLC**

By:



Brad E. Mutschelknaus

Melissa S. Conway

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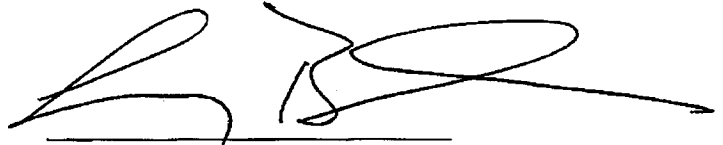
Washington, D.C. 20036

(202) 955-9600

Their Counsel

**VERIFICATION**

I, Lawrence P. Beilenson, 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.



Lawrence P. Beilenson  
Senior Vice President, General Counsel  
Xspedius Communications, LLC

Subscribed and sworn to before me this 15th day of February 2005.



Notary Public

My Commission expires:

Jan 30, 2007

DARLENE BUETTNER  
NOTARY PUBLIC-NOTARY SEAL  
STATE OF MISSOURI  
ST. LOUIS COUNTY  
MY COMMISSION EXPIRES JAN. 30, 2007