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September 27, 2005

RECEIVED

SEP 28 2005

PUBLIC SERVICE
COMMISSION

VIA UPS

Ms. Beth O'Donnell, Executive Secretary
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Informational Filing of NuVox Communications, Inc. Regarding its Intent to Provide Security in Connection with Financing

Dear Ms. O'Donnell:

NuVox Communications, Inc. ("NuVox Communications")¹, by its 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 its parent, Gabriel Communications Finance Company (the "Borrower"), a subsidiary of NuVox, Inc. ("NuVox" or "Parent"), consisting of senior credit facilities ("Senior Credit Facilities") of an amount up to \$160 million.² It is anticipated that the loan documentation will permit the

¹ In late 2004, as part of an internal pro forma corporate restructuring, NewSouth Communications Corp. and NuVox Communications, Inc., a South Carolina corporation, two former operating subsidiaries of NuVox, were merged into NewSouth Holdings, Inc. This Delaware entity then changed its name to NuVox Communications, Inc. and became the single operating entity authorized to provide telecommunications services in Kentucky. The parties notified the Commission of the restructuring on September 24, 2004 and filed NuVox Communications, Inc.'s tariffs on February 22, 2005.

² Borrower's parent, NuVox, Inc. ("Parent"), and certain subsidiaries have existing indebtedness that includes the Borrower's Second Amended, Restated and Consolidated Credit Agreement dated as of May 21, 2004 ("Existing Credit Agreement"). The parties notified the Commission of the indebtedness relating to the Existing Credit Agreement in an amount up to \$100 million on March 30, 2004.

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Borrower, during the term of the Senior Credit Facilities, to incur up to \$75 million of additional revolving credit facility commitments and/or term loans under the Senior Credit Facilities, under certain circumstances (“Incremental Facilities,” and together with the Senior Credit Facilities, “Credit Facilities”). It is anticipated that the Credit Facilities will be secured by NuVox Communications’ guarantee of payment and by the grant of a security interest in certain of its assets and the pledge of certain of NuVox Communications’ capital stock and debt. Thus, NuVox Communications intends to incur debt in a total amount of \$235 million. Pursuant to the Administrative Cases, NuVox Communications understands that it is exempt from filing an application for prior approval of securing evidence of indebtedness. In support of this notification, NuVox provides the following information:

The Parties.

Parent, Borrower and NuVox Communications are each privately held Delaware corporations located at Two North Main Street, Greenville, South Carolina 29601. NuVox Communications is a direct, wholly owned subsidiary of the Borrower which in turn is a direct, wholly owned subsidiary of the Parent. Through its various operating subsidiaries, including NuVox Communications, the Parent 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, with a fully deployed IP-centric network consisting of 28 Class 5 voice switches, 43 data switches, 281 collocations and a Sonus VoIP network in operation. Currently, NuVox’s operating subsidiaries collectively have approximately 41,500 customers. NuVox Communications is also authorized by the FCC to provide domestic interstate and international telecommunications services.

Description of The Transaction

NuVox Communications intends to incur indebtedness by giving its guarantee of payment and granting a security interest in certain of its assets in connection with financing of an amount up to \$235 million. Specifically, it is anticipated that, although NuVox Communications will not be a borrower, the contemplated Credit Facilities will be secured by its guarantee of payment and the grant of a security interest in certain of its assets and a pledge of certain of NuVox Communications’ capital stock and debt. It is expected that the Senior Credit Facilities will consist of: (i) a term loan facility of up to \$140 million (“Term Facility”); and (ii) a revolving credit facility of up to \$20 million available from time to time (“Revolving Facility”). The proceeds of the Senior Credit Facilities will be used in part to pay off the indebtedness under the Existing Credit Agreement. The Incremental Facilities will permit the Borrower to incur up

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to \$75 million of additional debt under the Senior Credit Facilities, under certain circumstances. Thus, the total amount of indebtedness is \$235 million.

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 Credit Facilities due to changes in market conditions and the company's financial condition. The terms of the Credit Facilities are expected to be substantially as follows:

Lenders: The lenders are expected to be Bank of America Securities, LLC, Wachovia Capital Markets LLC and Wachovia Bank (as Syndication Agent) and other banks, financial institutions and institutional lenders the composition of which may change over the life of the Credit Facilities.

Amount: Up to \$235 million (\$140 million under the Term Facility; \$20 million under the Revolving Facility; \$75 million under the Incremental Credit Facilities).

Maturity: The Term Facility will be subject to repayment according to the scheduled amortization, with the final payment of all amounts outstanding, plus accrued interest, being due six (6) years after the closing date. The Revolving Facility will terminate and all amounts outstanding will be due and payable in full five (5) years after the closing date.

Interest: The interest rates per annum applicable to the Senior Credit Facilities will be LIBOR plus the Applicable Margin or, at the option of the Borrower, the Base Rate plus the Applicable Margin. The Applicable Margin with respect to the Revolving Facility is (i) for the first six (6) months after the closing date, 5.00-5.50% per annum, in the case of LIBOR rate advances, and 4.00-4.50% per annum, in the case of Base Rate advances, and (ii) thereafter, a percentage to be determined. The Applicable Margin with respect to the Term Facility is 5.00-5.50% per annum, in the case of LIBOR rate advances, and 4.00-4.50% per annum, in the case of Base Rate advances.

Security: It is expected that the Credit Facilities will be secured by the guarantee of NuVox Communications and by the grant of a lien and security interest in the following: (i) all present and future shares of its capital stock; (ii)

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all present and future intercompany debt; (iii) subject to materiality thresholds, all present and future property and assets, real and personal, including, but not limited to, equipment, accounts receivable, general intangibles, tangible and intangible assets required to own and operate any telecommunications systems, franchises, permits and licenses; and (iv) all proceeds and products of the property and assets described above.

Public Interest Considerations.

This financing transaction will serve the public interest by enhancing the ability of NuVox Communications to grow and compete in the highly competitive markets for telecommunications services in Kentucky and nationwide. The financing arrangement will provide NuVox Communications with the financial resources necessary to continue to produce new products and services and respond to the highly competitive telecommunications environment. NuVox 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 NuVox 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 NuVox Communications would have little effect on customers in Kentucky or elsewhere. In the unlikely event that NuVox Communications' capital structure becomes too costly and rates rise, customers may simply migrate to other carriers with preferred rates. Thus, any adverse consequences from its financing decisions impact on shareholders, not on its 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 NuVox Communications or its affiliates, or result in any change in control of NuVox Communications or its affiliates.

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As noted above, it is NuVox Communications' understanding that no prior 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 ten (10) copies and a duplicate copy of this filing. Also enclosed please find a self-addressed, postage-paid envelope. Please date-stamp the envelope upon receipt 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,

NUVOX COMMUNICATIONS, INC.

By: 
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