

Jean L. Kiddoo  
Brett P. Ferenchak  
Jeffrey R. Strenkowski  
jean.kiddoo@bingham.com  
brett.ferenchak@bingham.com  
jeffrey.strenkowski@bingham.com

August 30, 2009

## Via E-Filing

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120

### **Re: In the Matter of the Registration of the Securities Certificate of US LEC of Pennsylvania LLC d/b/a PAETEC Business Services**

Dear Ms. Chiavetta:

On behalf of US LEC of Pennsylvania LLC d/b/a PAETEC Business Services (“Registrant”), attached for filing is the above-referenced Securities Certificate. The requisite filing fee will be paid electronically.

A hard copy and a date-stamp copy of this filing will be delivered by overnight courier. Please stamp and return the copy using the envelope provided. Should you have any questions, please do not hesitate to contact Jeff Strenkowski at 202-373-6002.

Respectfully submitted,



Jean L. Kiddoo  
Brett P. Ferenchak  
Jeffrey R. Strenkowski

Counsel for Registrant

cc: Consumer Advocate  
Small Business Advocate  
Office of Trial Staff

Boston  
Hartford  
Hong Kong  
London  
Los Angeles  
New York  
Orange County  
San Francisco  
Santa Monica  
Silicon Valley  
Tokyo  
Walnut Creek  
Washington

Bingham McCutchen LLP  
2020 K Street NW  
Washington, DC  
20006-1806

T 202.373.6000  
F 202.373.6001  
bingham.com

A/73485084.1

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

In the Matter of Registration of the	)	
	)	
Securities Certificate of	)	Docket No. S-_____
	)	
<b>US LEC OF PENNSYLVANIA LLC D/B/A</b>	)	
<b>PAETEC BUSINESS SERVICES</b>	)	
	)	

**SECURITIES CERTIFICATE**

US LEC of Pennsylvania LLC d/b/a PAETEC Business Services (“Registrant”), by its undersigned counsel and pursuant to Section 1901 of Chapter 19 of the Pennsylvania Public Utility Code, 66 PA. C.S. § 1901, hereby requests the Commission to accept registration of this securities certificate setting forth its proposed participation in various debt financing arrangements contemplated by its ultimate corporate parent, PAETEC Holding Corp. (“PAETEC Parent”) (together with the Registrant, the “Parties”), as described more fully herein.

These new financing arrangements are expected to be used, in whole or in part, to fund planned strategic acquisitions by PAETEC Parent, through PAETEC Corp. or one of PAETEC Parent’s other subsidiaries. Since PAETEC Parent will need to commence the debt offering process for the new financing arrangements in advance of completing the strategic acquisitions, Registrant requests that the Commission act expeditiously to grant the approval herein requested no later than the Commission’s meeting on November 4, 2010.

In support of this Securities Certificate, Registrant states as follows:

## **I. DESCRIPTION OF THE PARTIES**

### **A. US LEC of Pennsylvania LLC d/b/a PAETEC Business Services**

Registrant is a North Carolina limited liability company with principal offices located at 6801 Morrison Boulevard, Charlotte, North Carolina 28211. Registrant is authorized to operate in Pennsylvania as a reseller of toll services, a competitive local exchange carrier, and a facilities-based interexchange carrier pursuant to certification granted by the Commission in Docket Nos. A-310814, A-310814F0002, and A-310814F0003, respectively.<sup>1</sup> Registrant is an indirect, wholly owned subsidiary of PAETEC Parent.

### **B. PAETEC Holding Corp. and PAETEC Corp.**

PAETEC Parent is a publicly traded Delaware corporation (NASDAQ GS: PAET) with principal offices located at One PAETEC Plaza, 600 Willow Brook Office Park, Fairport, New York 14450. PAETEC Parent is the parent of PAETEC Corp., a Delaware corporation that indirectly through other intermediate holding companies owns Registrant. Through its regulated operating subsidiaries,<sup>2</sup> including its subsidiaries that operate in Pennsylvania, PAETEC Parent has a presence in 84 of the nation's top 100 MSAs, delivering communications solutions to business customers in 48 states and the District of Columbia. Additional information regarding

---

<sup>1</sup> See also Docket Nos. A-310814F0002 AMA, A-310814F0002 AMB, and A-310814F0002 AMC (authorizing expansion of geographic service areas covered by Registrant's CLEC certificate to include service areas of North Pittsburgh Telephone, Alltel Pennsylvania, and Sprint United). In addition to Pennsylvania, Registrant is authorized to provide resold and/or facilities-based telecommunications services in Delaware and New Jersey.

<sup>2</sup> PAETEC Communications, Inc. ("PAETEC") is authorized to operate in Pennsylvania as a reseller of toll service, a competitive local exchange carrier, a competitive access provider, and a facilities-based interexchange carrier pursuant to certification granted in Docket Nos. A-310743, A-310743F0002, A-310743F0003, and A-310743F0004. McLeodUSA Telecommunications Services, LLC d/b/a PAETEC Business Services ("PAETEC Business") is authorized to operate in Pennsylvania as a reseller of interexchange telecommunications services pursuant to certification granted in Docket No. A-310456. Pursuant to Section 3.602 of the Pennsylvania Administrative Code, 52 PA. CODE § 3.602, PAETEC and PAETEC Business will each file under separate cover with the Commission an abbreviated securities certificate seeking authorization identical to that requested by Registrant in the instant Securities Certificate.

PAETEC Parent, including its most recent SEC Form 10-Q, as filed with the Securities and Exchange Commission, is available at [www.paetec.com/investors](http://www.paetec.com/investors).

## **II. DESIGNATED CONTACTS**

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

Jean L. Kiddoo  
Brett P. Ferenchak  
Jeffrey R. Strenkowski  
Bingham McCutchen LLP  
2020 K Street, N.W., Suite 1100  
Washington, DC 20006-1806  
202-373-6000 (tel)  
202-373-6001 (fax)  
jean.kiddoo@bingham.com  
brett.ferenchak@bingham.com  
jeffrey.strenkowski@bingham.com

with a copy to the following designated representative of Parties:

William A. Haas  
Vice President of Public Policy & Regulatory  
PAETEC Holding Corp.  
One Martha's Way  
Hiawatha, IA 52233  
william.haas@paetec.com

## **III. EXISTING FINANCING ARRANGEMENTS**

The obligations of PAETEC Parent and its subsidiaries under existing financing arrangements currently total \$950 million in aggregate principal amount, with an additional \$50 million available under an undrawn revolving credit facility. More specifically, PAETEC Parent's indebtedness currently consists of: (1) a revolving credit facility of \$50 million aggregate principal amount, which currently is entirely undrawn; (2) 9.5% Senior Notes due 2015 in the aggregate principal amount of \$300 million; and (3) 8 $\frac{7}{8}$ % Senior Secured Notes due 2017 in the aggregate principal amount of \$650 million. The Commission has already

considered these existing financing arrangements of PAETEC Parent and authorized Registrant (which has guaranteed these arrangements and pledged its assets as security for the arrangements) to participate in these arrangements.<sup>3</sup>

#### **IV. NEW FINANCING ARRANGEMENTS**

##### **A. Purposes of Financing Transactions**

PAETEC Parent anticipates using the proceeds from the financing arrangements for which approval is sought herein for one or more targeted acquisitions. PAETEC Parent is pursuing certain acquisition candidates that would fulfill one or more of the following Company objectives:

- to increase its penetration of existing markets;
- to expand into new markets;
- to augment the geographic scope of its network fiber-based assets, primarily in high density markets; and
- to enhance its ability to sell and deliver value-added services.

PAETEC Parent is seeking acquisition candidates that will add customers and cash flow to its existing network services business and/or will enhance its operating efficiencies by lowering access costs through expansion of fiber and collocation assets. In accordance with this strategy, PAETEC Parent is focusing its acquisition efforts on other competitive carriers, on local and long distance providers, on enhanced service providers, on network integrators, and on equipment solutions providers. From time to time, PAETEC Parent may consider selective acquisitions of those types of businesses that PAETEC Parent believes will enhance its package of service offerings, increase its customer base and bring experienced back office, technical and customer service personnel to the company.

##### **B. Request for Prior Approval to Participate in New Financing Arrangements**

---

<sup>3</sup> See Docket Nos. S-2009-2134416, S-00071202 and S-00061152.

In connection with the proposed new financing arrangements, it is expected that PAETEC Parent will be the entity incurring the indebtedness, and that Registrant (together with certain other PAETEC Parent subsidiaries) may also be a co-borrower and/or be required to secure the debt obligations incurred in the financing by executing and delivering guarantees, pledge agreements, and/or such other security agreements as may be required. Registrant therefore requests Commission approval to participate in the proposed new financing arrangements in an aggregate amount of up to \$600 million as borrowers and/or guarantors.

**C. Expected Core Terms of the New Financing Arrangements**

The exact amounts and terms of the proposed new financing arrangements, which may be completed in multiple issuances and tranches, will not be priced and otherwise finalized until the specific arrangement(s) have been completed shortly before closing, and will reflect market conditions then existing. Some of the terms, such as the interest rate, may fluctuate during the term of the financing due to changes in market conditions and the financial condition of PAETEC Parent. The core terms of each such financing arrangement are expected to be substantially as follows:

***Funding Providers:*** The funding providers may be banks, financial institutions, private lending institutions, private individuals, and/or other institutions, either individually or a consortium. The funding group may change over the life of the financing arrangements.

***Amount:*** Up to \$600 million.

***Debt instruments:*** PAETEC Parent currently anticipates that the financing arrangements will consist of secured and/or unsecured notes. In order to maintain flexibility to address market requirements, Registrant seeks approval to participate in secured or unsecured notes or debentures (including notes convertible into common stock and private notes that may be

exchanged for public notes); conventional credit facilities, such as revolving credit facilities (which can be reborrowed during the term of the commitment) and term loans; letters of credit; and bridge loans.

***Maturity:*** The maturity date will be subject to negotiation and will depend on credit conditions. Registrant requests authority to enter into arrangements with maturity dates of up to ten (10) years.

***Interest:*** Any interest rate will likely be the market rate for similar financings and will not be determined until the financing is finalized. Depending on the type of debt securities, facility(ies) or other arrangements, the interest rate(s) could be a fixed rate (typically set at signing or closing based on then current market conditions) or a floating rate (consisting of a base rate, which will float with a rate index such as LIBOR or Federal Funds Rate, along with an applicable margin rate), or a combination of fixed rates and floating rates

***Security:*** Some and perhaps all of the financing arrangements are expected to be secured by a security interest in substantially all of the assets of PAETEC Parent and PAETEC Parent's subsidiaries, including a security interest in Registrant's assets. The stock of Registrant may also be pledged as additional security. Additionally, it is expected that Registrant will provide guarantees of PAETEC Parent's obligations under the financing arrangements or may be a borrower or co-borrower under the arrangements. The security documents will contain appropriate provisions indicating that exercise of certain rights thereunder may be subject to obtaining prior regulatory approval. Accordingly, Registrant requests authority to provide guarantees, and become a borrower or co-borrower as applicable upon completion of the financing.

*Use of Proceeds:* As noted above, the proceeds are expected to be used for targeted acquisitions. The proceeds may be used to pay for the capital stock (or other equity interests) or assets of the acquired business and/or to refinance the debt of PAETEC Parent and/or the acquired business in connection with the transaction, as well as pay for transaction costs. Any remaining proceeds may be made available to finance new capital expenditures and for working capital and other general corporate purposes.

**V. PUBLIC INTEREST CONSIDERATIONS**

Grant of this Securities Certificate will serve the public interest of Pennsylvania because the authorization requested will enable PAETEC Parent to move quickly to take advantage of favorable acquisition opportunities by obtaining the necessary additional financing necessary to complete such strategic acquisitions that will benefit the company as a whole, including Registrant. The flexibility afforded by the authorization requested herein will also enable PAETEC Parent to take advantage of the most favorable financing instruments and terms available. In sum, the financing arrangements are expected to enhance the competitive position of Registrant in the Pennsylvania telecommunications marketplace, all of which ultimately will inure to the benefit of its Pennsylvania customers and other Pennsylvania enterprise entities that may choose PAETEC as their service provider in the future.

Further, the funds to be obtained through the financing arrangements are necessary and appropriate, are consistent with the performance by Registrant of its services to the public, will not impair the ability of Registrant to perform such services and will promote the corporate purposes of Registrant. Further, based on *pro forma* review of any targeted acquisition, PAETEC Parent expects that its leverage profile will be the same both before and after such acquisition.

Finally, grant of this Securities Certificate is consistent with the public interest because no transfer of any Certificate, assets or customers will occur as a result of Registrant's participation in the financing arrangements. Immediately following Registrant's execution of the relevant documents in connection with such financing arrangements, Registrant will continue to provide service to its Pennsylvania customers pursuant to its authorization with no change in the rates or terms and conditions of service as currently provided. Registrant's participation in the financing arrangements will therefore be transparent to its Pennsylvania customers.

**VI. CONCLUSION**

For the foregoing reasons, Securities Certificates Registrant submits that the public interest, convenience, and necessity would be furthered by grant of this Securities Certificate, authorizing Registrant to participate in the financing arrangements described herein.

Respectfully submitted,



---

Jean L. Kiddoo  
Brett P. Ferenchak  
Jeffrey R. Strenkowski  
Bingham McCutchen LLP  
2020 K Street, N.W., Suite 1100  
Washington, DC 20006-1806  
202-373-6000 (tel)  
202-373-6001 (fax)  
jean.kiddoo@bingham.com  
brett.ferenchak@bingham.com  
jeffrey.strenkowski@bingham.com

Counsel to the Parties

Dated: August 30, 2010

**CERTIFICATE OF SERVICE**

I, Jeffrey R. Strenkowski, hereby certify that on this 30th day of August 2010, a copy of the foregoing Securities Certificate was served by first class, prepaid postage mail delivery upon the following:

Consumer Advocate  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Small Business Advocate  
Office of Small Business Advocate  
Commerce Building  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Office of Trial Staff  
PO Box 3265  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
Harrisburg, PA 17105-3265



---

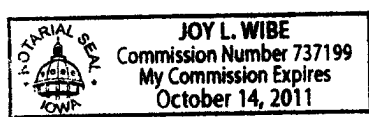
**VERIFICATION**

STATE OF IOWA                   §  
  §  
COUNTY OF LINN               §

I, William A. Haas, state that I am Vice President Regulatory and Public Policy of PAETEC Holding Corp., the ultimate parent company of US LEC of Pennsylvania, LLC d/b/a PAETEC Business Services (“PAETEC-PA”); that I am authorized to make this Verification on behalf of PAETEC-PA; that the foregoing filing was prepared under my direction and supervision; and that the statements in the foregoing document are true and correct to the best of my knowledge, information, and belief.

William A. Haas  
Name: Williams A. Haas  
Title: Vice President Regulatory and Public Policy  
PAETEC Holding Corp.

SWORN TO AND SUBSCRIBED before me on the 26 day of August, 2010.



Joy L. Wibe  
Notary Public

My commission expires: 10/14/11