

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

Application of NuVox Communications of)
Missouri, Inc., for Authority to Provide its) Case No. TF-2007-0356
Security in Connection with Financing)

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission and for its recommendation states:

1. On March 28, 2007, NuVox Communications of Missouri, Inc. (“NuVox Communications”) filed an application for authority to provide its guarantee, grant a security interest in its assets and pledge its stock in connection with financings for its parent, Gabriel Communications Finance Company, a subsidiary of NuVox, Inc.

2. NuVox Communications is a telecommunications company certificated by this Commission to provide telecommunication services in Missouri.

3. Section 392.300.1 RSMo directs that no telecommunications company shall mortgage or otherwise encumber the whole or any part of its franchise, facilities or system, necessary or useful in the performance of its duties to the public, without having first secured from the Commission an order authorizing it so to do. This statute further provides that any such mortgage or encumbrance made other than in accordance with the order of the Commission authorizing the same shall be void.

4. The standard for Commission review is whether such a transaction is detrimental to the public interest. See, *In the Matter of the Application of Le-Ru Telephone Company*, 9 Mo. P.S.C. 3d 331, 334 (2000).

5. In the attached Memorandum, labeled Appendix A, the Staff opines that it is not detrimental to the public interest for NuVox Communications to provide its security in connection with the financing.

WHEREFORE, the Staff recommends that the Commission authorize NuVox Communications to participate in the financing transactions described in the Application.

Respectfully submitted,

/s/ William K. Haas

William K. Haas

Deputy General Counsel

Missouri Bar No. 28701

Attorney for the Staff of the

Missouri Public Service Commission

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 26th day of April 2007.

/s/ William K. Haas

William K. Haas

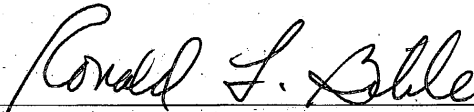
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Application of NuVox Communications of)
Missouri, Inc. for Authority to Provide its Security) Case No. TF-2007-0356
in Connection with Financing)

AFFIDAVIT OF RONALD L. BIBLE

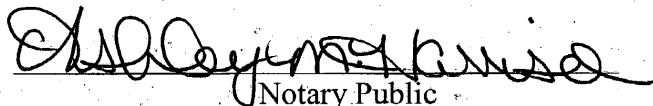
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Ronald L. Bible, of lawful age, on his oath states: that he has participated in the preparation of the following Case Reconciliation; that the information is given by him; that he has knowledge of the matters set forth; and that such matters are true and correct to the best of his knowledge and belief.



Ronald L. Bible

Subscribed and sworn to before me this 26th day of April, 2007.


Notary Public



ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #06699878

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. TF-2007-0356, NuVox Communications of Missouri, Inc.

FROM: Ronald L. Bible, Manager, Financial Analysis Department, Utility Services
Division

/s/ Ronald L. Bible/04/26/07 /s/William Haas 04/26/07
Project Coordinator General Counsel's Office

SUBJECT: NuVox Communications of Missouri, Inc. Application for Authority to Provide
Its Security in Connection with Financing for Its parent, Gabriel
Communications Finance Company.

DATE: April 26, 2007

Staff recommends that the Commission approve NuVox Communications of Missouri, Inc.'s ("NuVox Communications" or "Petitioner") Application to provide Petitioner's guarantee, grant a security interest in Applicant's assets and pledge Petitioner's stock in connection with its parent's, Gabriel Communications Financing Company ("Gabriel"); borrowing of an amount up to \$260 million (collectively, the "Loans").

The Petitioner has met the filing requirements in accordance with 4 CSR 240-3.530. The Loans are intended: (1) to refinance certain existing debt of NuVox Communications' parent, Gabriel Communications Financing Company ("Gabriel"); (2) to finance dividend obligations of NuVox, Inc. ("NuVox"), the ultimate parent of NuVox Communications; and (3) for other corporate purposes (collectively, the "Transactions"). The Loans are also intended to refinance certain existing debt of another company that NuVox intends to acquire, Florida Digital Network, Inc. d/b/a FDN Communications ("FDN"). As a result of the anticipated merger, NuVox will become the ultimate parent company of NuVox Communications, the Petitioner herein, and its future affiliate, NuVox Transition Subsidiary, LLC ("FDN LLC").

The Loans consist of a \$180 million senior secured 7 year term loan and a \$10 million senior secured 6 year term revolving credit facility (together the "First Lien Facilities"), and \$70 million of senior second lien secured 8 year term loans (the "Second Lien Facility"). The amounts of the First Lien Facilities and the Second Lien Facility total \$260 million. The lenders include Goldman Sachs Credit Partners L.P. ("GSCP"), Wachovia Bank, National Association and/or other financial institutions selected by GSCP in consultation with the Borrowers. All obligations under the First Lien Facilities and the Second Lien Facility will be guaranteed by NuVox Communications, as a subsidiary of a Borrower, Gabriel. The Petitioner will also grant a security interest in its assets as security for the loans. The exact amounts and terms of the Loans will not be finalized until shortly before funding, and will reflect the market conditions then existing. Some of the terms, such as interest rate, may fluctuate during the term of the Loans due to changes in market conditions and the financial condition and/or the performance of the Borrowers.

The Petitioner is a competitive local exchange company (CLEC). Staff generally concurs with Paragraph 9 of the Application which indicates that:

The Petitioner competes in Missouri with numerous other interexchange carriers and enhanced service providers as well as incumbent local exchange carriers and other competitive local exchange carriers. Because the Petitioner is non-dominant, it is not subject to rate of return regulation and its capital structure should be immaterial to the Commission. In addition, because of the highly competitive environment in which it operates, the prices Petitioner charges their customers are subject to significant market discipline and the services offered generally are available from multiple other carriers. As a result, the source of funds and capital structure of NuVox would have no appreciable effect on customers in Missouri or elsewhere. In the unlikely event that Petitioners' capital structure becomes too costly and prices rise, customers may simply migrate to other carriers with better pricing. Thus, any adverse consequences from the financing decisions impact the shareholders, not the customers, and any favorable consequences benefit both shareholders and consumers through higher profits, lower rates, and better services.

Staff also generally concurs with the petitioner's assertion that: Although the Petitioner is seeking approval for its participation in this financing transaction, the Petitioner is doing so without prejudice to its right to assert that this transaction is beyond the jurisdiction of the Commission. RSMo 392.020.2 states: Notwithstanding any other provision of this chapter to the contrary, no telecommunications company operating in Missouri and one or more other states shall be required to obtain authorization from the commission to issue stocks, bonds, notes or any other evidence of indebtedness; nor shall any such telecommunications company be required to obtain authorization from the commission in order to encumber the whole or any part of its franchise line or system. NuVox is a privately-held Delaware corporation located at Two North Main Street, Greenville, South Carolina 29601. Through its operating subsidiaries, NuVox has operations in 48 markets throughout 16 contiguous Midwestern and Southeastern states. The Borrowers of the Loans are Gabriel and FDN LLC, both subsidiaries of NuVox. The Loans will be secured by guarantees and security interests granted by subsidiaries of the Borrowers, including NuVox Communications.

NuVox Communications does not have any annual report or assessment fees that are overdue in Missouri.

Based on its analysis, Staff believes that for the Petitioner to provide its security in connection with the financing is not detrimental to the public interest.