



STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF)	ORDER
CAVALIER TELEPHONE MID-ATLANTIC, LLC)	
INTELLIFIBER NETWORKS, INC., PAETEC)	
COMMUNICATIONS, INC., TALK AMERICA, INC., US)	
LEC OF PENNSYLVANIA, INC., AND WINDSTREAM)	
CORPORATION FOR AUTHORITY TO COMPLETE A)	
CERTAIN PRO FORMA INTRA-CORPORATE)	
TRANSACTION)	DOCKET NO. TM13050370

Parties of Record:

James H. Laskey, Esq., Norris McLaughlin & Marcus, P.A., on behalf of Petitioners
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On May 1, 2013, Cavalier Telephone Mid-Atlantic, LLC, Intellifiber Networks, Inc., Paetec Communications, Inc., Talk America, Inc., US LEC of Pennsylvania, Inc. (collectively, "Windstream Licensees") and Windstream Corporation ("Windstream") (Windstream and Windstream Licensees collectively referred to as "Petitioners"), by their counsel and pursuant to N.J.S.A. 48:2-51.1 and the rules of the New Jersey Board of Public Utilities filed a verified Petition with the New Jersey Board of Public Utilities ("Board") requesting authority from the Board for Petitioners to undertake a pro forma intra-corporate transaction (the "Transaction") that will insert a new holding corporation, Windstream Holdings, Inc. ("WHI"), into the ownership chain above Windstream (the current parent holding company of Windstream Licensees). Following the consummation of proposed transactions, the Windstream Licensees will continue to provide service to customers in New Jersey at the same rates, terms and conditions.

BACKGROUND

Windstream is a publicly traded Delaware Corporation with corporate offices located in Little Rock, Arkansas. Through its subsidiaries, Windstream provides local and long distance services and video services to customers throughout the United States. According to the

petition, Windstream's operations currently have approximately 3.4 million connections (i.e. voice lines, high speed internet lines and/or digital television customers) and approximately \$6 billion in annual revenues. Windstream, through its subsidiaries, provides telecommunications services in all states and the District of Columbia, except Alaska.

Windstream has five subsidiaries that operate in New Jersey; Paetec Communications, Inc., Talk America, Inc., Cavalier Telephone Mid-Atlantic, LLC, Intellifiber Networks, Inc. and US LEC of Pennsylvania, Inc. See I/M/O the Petition For an Order Authorizing PAETEC Communications, Inc. to Provide Local Exchange and Interexchange Telecommunication Services Throughout New Jersey, Docket No. TE02060319, Order dated February 5, 2003, I/M/O the Petition of US LEC Pennsylvania Inc. for Authorization to Provide Resold and Facilities Based, Local Exchange and Interexchange Telecommunication Services Throughout New Jersey, Docket No. TE99030180, Order dated August 18, 1999, In the Matter of the Petition for an Order Authorizing Talk.com Holding Corp., d/b/a The Phone Company to Provide Local Exchange and Interexchange Telecommunications Services Throughout New Jersey, Docket No. TE00100767, Order dated January 10, 2002. CavTel-MA is authorized to provide facilities based intrastate telecommunications service, See I/M/O the Petition for An Order Authorizing Cavalier Telephone Mid-Atlantic, LLC to Provide Local Exchange Telecommunications Services throughout New Jersey, Docket No. TE01060370, Order dated September 27, 2001. Also, Intellifiber Networks, Inc. (f/k/a Elantic) operates in New Jersey pursuant to Board authority originally granted to Dominion Telecom, Inc. on October 6, 2002. See I/M/O the Petition for an Order Authorizing Dominion Telecom, Inc. to Provide Local Exchange Telecommunications Services Throughout New Jersey, Docket No. TE01090594, Order dated October 31, 2002, which was later transferred to Elantic on May 12, 2004, See I/M/O the Joint Petition of Dominion Telecom, Inc., Dominion Fiber Ventures, LLC and Elantic Networks, Inc. for Approval of a Change of Control, Docket No. TM0403019, Order dated May 12, 2004.

DISCUSSION

According to the petition, the pro forma Transaction will involve the insertion of a new holding corporation, Windstream Holdings, Inc., in the ownership chain above Windstream (the current parent holding company of the Windstream Licensees) (the "Transaction"). Petitioners state that in order to effectuate the Transaction, three steps are necessary. In Step 1, Windstream will form a wholly owned subsidiary, WHI, which will be a Delaware corporation. In Step 2, WHI will form a wholly owned subsidiary, Mergeco, which will be a Delaware corporation. In Step 3, Windstream and Mergeco will merge, with Windstream emerging as the surviving corporation and becoming a wholly owned subsidiary of Windstream Holdings, Inc.

As a result of the Transaction, Windstream will effectuate the insertion of a new publicly traded holding company at the top of its ownership chain. At the time of the Transaction, the existing shares of Windstream stock will be converted into shares of WHI on a one-for-one basis. Thus, the existing shareholders of Windstream will become the shareholders of WHI after the Transaction takes place, continuing with the same number of shares and percentages as they hold prior to the Transaction. Petitioners point out that the Transaction will not result in any change in the ultimate beneficial ownership of the Windstream Licensees and that current Windstream shareholders will continue to hold the same level of indirect ownership in the Windstream Licensees as they did prior to the Transaction, albeit through a new holding company.

Petitioners note that the "shared" corporate operations and other service functions currently handled by Windstream Communications Inc. ("WCI") on behalf of other Windstream operating subsidiaries, including the Windstream Licensees, such as shared service corporate employees, shared contracting functions, centralized procurement, will be transferred and migrated from WCI to Windstream and as a result, will be more appropriately performed by the corporate parent of the operating companies instead of by a "sister" operating company as is the case prior to the Transaction. Only the shared corporate services will be assigned to Windstream, the telecommunications operations and licenses currently held by WCI, including those in New Jersey, and the assets used to perform telecommunications services pursuant to those licenses, will remain with WCI following the pro forma Transaction.

In evaluating this petition, the Board must be satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1; N.J.A.C. 14:1-5.14(c).

The Petitioners state that the net effect of the Transaction will be that the stock of the Windstream Licensees, which is today held by Windstream Corporation as the publicly traded entity, will instead be held by Windstream as a first-tier subsidiary of WHI, the new publicly-traded entity. The stockholders of Windstream Corporation at the time of the Transaction will become stockholders of WHI; and WHI will be the sole holder of equity interests in Windstream. Thus, WHI will have the power to control the voting stock in the Windstream Licensees, just as Windstream does today. Further, Petitioners state that there will be no change in the actual working control of any of Licensees, no change in the memberships of their boards of directors or in the management of their operations, and no change in their capital structure. The Windstream Licensees will continue to be overseen by their existing management teams and also, the Windstream Licensees will continue to provide service to customers in New Jersey at the same rates terms and conditions.

The Petitioners also state that the proposed reorganization of Windstream's corporate structure will provide the company with greater flexibility for future equity and debt transactions, which will increase its access to capital and benefit the Windstream Licensees and their customers.

FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board concludes that there will be no negative impact on rates or service quality since Petitioner's New Jersey customers will continue to receive the same services at the same rates and under the same terms and conditions. Also, the Board is satisfied that positive benefits will flow to customers based on the record presented by Petitioners as the transaction will strengthen Petitioner's competitive posture in the telecommunications market due to its access to additional resources. In addition, the Board is persuaded that Petitioners will make every effort to minimize any potential adverse impact to employees in New Jersey.

Accordingly, the Board **FINDS** that the proposed transactions will have no material impact on the rates of current customers, or on employees. The Board also **FINDS** that the transactions will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the record and exhibits submitted in this proceeding, the Board **FINDS** that the proposed transactions are in accordance with the law and in the public interest. The Board **HEREBY APPROVES** the

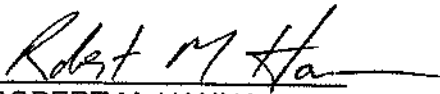
request by Petitioners for the transactions and **HEREBY ORDERS** that Petitioners shall notify the Board of the closing of the proposed transaction within 7 days of consummation.

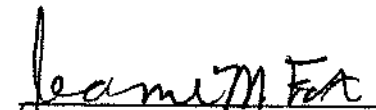
The Board **FURTHER ORDERS** that this approval will expire if the transaction is not fully consummated on or before December 31, 2013.

This Order shall be effective on July 1, 2013.

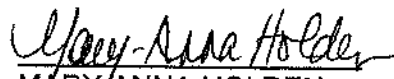
DATED: 6/21/13

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER

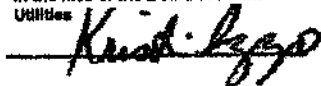

JOSEPH L. FIORDALISO
COMMISSIONER


MARYANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities.



IN THE MATTER OF THE VERIFIED PETITION OF CAVALIER TELEPHONE MID-ATLANTIC, LLC INTELLIFIBER NETWORKS, INC., PAETEC COMMUNICATIONS, INC., TALK AMERICA, INC., US LEC OF PENNSYLVANIA, INC., AND WINDSTREAM CORPORATION FOR AUTHORITY TO COMPLETE A CERTAIN PRO FORMA INTRA-CORPORATE TRANSACTION - DOCKET NO. TM13050370

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