



BEFORE THE ARIZONA CORPORATION COMMISSION

2001 MAR 30 P 4: 18

AZ CORP COMMISSION
DOCUMENT CONTROL

WILLIAM A. MUNDELL
Chairman

JIM IRVIN
Commissioner

MARC SPITZER
Commissioner

DOCKET NO. T-034060-01-0270

Application of Eschelon Telecom of
Arizona, Inc. for Approval of
Encumbrance of its Assets

Docket No. _____

APPLICATION FOR APPROVAL OF AGREEMENT
PURSUANT TO A.R.S. § 40-285

Eschelon Telecom of Arizona, Inc. ("Applicant") respectfully requests approval from the Arizona Corporation Commission ("Commission") to encumber its assets by acting as a guarantor to facilitate the completion of the Second Amended and Restated Loan and Security Agreement ("Agreement") by Eschelon Operating Company ("Eschelon"). Applicant seeks this approval pursuant to A.R.S. § 40-285.

Specifically, Applicant seeks authority to enter into the Agreement as a guarantor and to grant General Electric Capital Corporation, as Administrative Agent for NFTC Capital Corporation, Fleet National Bank, Firststar Bank, N.A., Coast Business Credit, a Division of Southern Pacific Bank, J.P. Morgan Chase & Co., Credit Suisse First Boston, and IBM Credit Corporation (together with any other lender under the Agreement, collectively, the "Lenders") a security interest in Applicant's assets "whether now or hereafter owned" as security for the Agreement between the Lenders and Eschelon. See

1 Agreement ¶ 3.1 (Grant of Security Interest); *see* ¶¶ 11.1 through 11.8 (Terms of the
2 Guaranty). The Agreement to be guaranteed by Applicant is confidential and will be
3 provided to Commission staff under seal. Applicant seeks Commission approval to enter
4 into the Agreement under A.R.S. § 40-285(A) or a ruling that Commission approval is not
5 required.¹

6 **I. THE APPLICANT**

7 Applicant received its Certificate of Convenience and Necessity (“CC&N”) to
8 provide facilities-based and resold intrastate telecommunications services on July 25,
9 2000, in Decision No. 62751. Applicant’s principal offices are located at 730 Second
10 Avenue South, Suite 1200, Minneapolis, MN 55402. Applicant provides
11 telecommunications services and products to small- and medium-sized business
12 customers. Working with third-party vendors, Applicant provides these customers with
13 integrated and tailored communications packages, which typically include resold local
14 service business lines, long distance, paging, cellular, voice messaging, 800 services,
15 dedicated private lines, telecommunications equipment (including PBX and key systems),
16 data network equipment, and service and maintenance.

17 **II. REQUEST FOR APPROVAL OF AGREEMENT**

18 The Agreement includes a requirement that Eschelon Telecom, Inc. and certain of
19 its operating subsidiaries guarantee the Agreement. Although Eschelon possesses the
20 financial strength to satisfy the obligations undertaken pursuant to the Agreement, the
21 Lenders nevertheless required the participation of Eschelon Telecom, Inc. and its
22 subsidiaries, including Applicant. Thus, Applicant, which faces only limited financial risk

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24 ¹The Applicant is not required to seek approval under the Commission’s Affiliated
25 Interest Rules for this transaction because the Applicant does not have Arizona revenues in
26 excess of \$1,000,000 and is therefore not a Class A Utility subject to these rules. *See*
A.A.C. R14-2-103(A)(3)(q); A.A.C. R14-2-801 *et seq.*

1 from Eschelon's execution of the Agreement, seeks permission to use its assets as security
2 for its guaranty of Eschelon's obligation to satisfy the demands of Eschelon's Lenders.

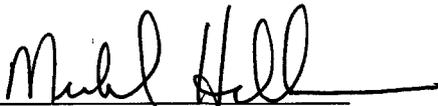
3 The Agreement is part of an effort to secure financing to provide Eschelon with
4 flexibility to budget for capital expenditures and general corporate purposes, including
5 working capital. The Agreement will facilitate consumer benefits and operational
6 efficiencies, permitting Applicant to better serve its current and future Arizona customers
7 through its enhanced access to capital. The proposed transaction will have no adverse
8 impact on consumers in Arizona, as the Agreement will allow Applicant to provide its
9 service over improved transmission facilities and infrastructure and to continue to enhance
10 customer service with teams of qualified consumer representatives. Accordingly, the
11 proposed transaction will further the public interest by allowing Applicant access to
12 needed capital to continue to expand its delivery of service to consumers in Arizona.

13 **III. CONCLUSION**

14 Applicant respectfully requests that to the extent required, the Commission
15 authorize Applicant to enter into the Agreement and grant any and all authority required to
16 accomplish this transaction pursuant to A.R.S. § 40-285(A).

17
18 RESPECTFULLY submitted this 30th day of March, 2001.

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Attorneys for Eschelon Telecom of
Arizona, Inc.

1 ORIGINAL and ten (10) copies
2 of the foregoing application filed
3 this ~~30th~~ day of March, 2001, with:

4 The Arizona Corporation Commission
5 Utilities Division – Docket Control
6 1200 W. Washington Street
7 Phoenix, Arizona 85007

8 Copy of the foregoing hand-delivered
9 this ~~30th~~ day of March, 2001, to:

10 Christopher Kempley, Chief Counsel
11 Legal Department
12 Arizona Corporation Commission
13 1200 W. Washington Street
14 Phoenix, Arizona 85007

15 Deborah Scott, Director
16 Utilities Division
17 Arizona Corporation Commission
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20 Lyn Farmer, Chief Administrative Law Judge
21 Hearing Division
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