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September 26, 2005

RECEIVED

SEP 27 2005

PUBLIC SERVICE
COMMISSION

VIA UPS

Ms Stephanie Bell, Secretary
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602-0615

Re: *Informational Filing* of CTC Communications Corp. Regarding Its Intent
to Provide Security in Connection with Financing

Dear Ms. Bell:

CTC Communications Corp. ("CTC"), by its attorneys, hereby respectfully notify the Kentucky Public Service Commission ("Commission"), of its intent to provide its guarantee, serve as a co-borrower, or to otherwise provide security in connection with financing of up to \$500 million being arranged for various affiliated companies, including, but not limited to, its current parent, CTC Communications Group, Inc. ("CTC Group") and/or a new holding company that may be formed by CTC Group to directly own the stock of CTC (collectively, the "Company" or the "Borrowers"). CTC submits that the proposed financing does not require Commission approval, and thus, this information is being filed with the Commission for informational purposes only.¹ However, should the Commission determine that approval is required, CTC respectfully requests that the Commission approve the financing transaction described herein.²

CTC: CTC, a Massachusetts corporation, is a subsidiary of CTC Group, a Delaware corporation. CTC Group and CTC are privately held companies with a principal business office

¹ See Admin. Case No. 359, issued June 21, 1996.

² Although CTC is seeking any necessary approval for its participation in this financing transaction, CTC is doing so without prejudice to its right to assert that this transaction is beyond the jurisdiction of the state commissions. See, e.g., *State ex rel. Utils. Comm'n v. S. Bell Tel. & Tel.*, 207 S.E.2d 772, *aff'd* 217 S.E.2d 543 (N.C. 1975).

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located at 220 Bear Hill Road, Waltham, Massachusetts 02451. CTC provides telecommunications services to medium and large businesses predominantly in the northeast and mid-Atlantic regions. Service offerings include local, long distance, and toll free telephony services; post-paid calling card services; conference calling; frame relay, private line, DSL, VPN, ATM; Internet access, webmail and converged services. CTC also provides service by reselling local and interexchange telephony services of other telecommunications carriers. CTC is authorized by the Federal Communications Commission to provide both interstate and international telecommunications services.³

The Financing: Borrowers propose to borrow up to \$500 million through one or more financing arrangements with banks, other financial institutions and/or other types of investors. The exact amounts and terms of the financings, which may be completed in multiple tranches, will not be finalized until the specific arrangement(s) have been completed or shortly before funding of the various transactions 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 terms of the financing arrangements are expected to be substantially as follows:

Lenders: Due to the anticipated size of the borrowings, it is expected that the lenders will be a consortium of banks and financial institutions the composition of which may change over the life of the loan. However, other types of investors may be relied upon as well. At present, it is expected that the consortium will have as one of its lead banks Landsbanki Islands hf.

Amount: Up to \$500 million. Portions of the borrowed funds may be in the form of conventional credit facilities such as revolving credits (which can be reborrowed during the term of the commitment); letters of credit; the issuance of secured or unsecured notes or debentures to banks, other types of financial institutions or other investors or term loans.

Maturity: The maturity date, which is subject to negotiation, will depend on credit conditions, but is expected to range between three and ten years from the date of the initial borrowing. It is possible that some loans may be for a shorter or longer period. Principal payments will be made periodically in accordance with a prescribed schedule established for such borrowing. Repayment of principal could commence within twelve months of the borrowing, could commence several years from the date of the borrowing, or could be due in a "bullet payment" at maturity.

³ See Utility ID No. 5144700, for CTC's Kentucky authorization.

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Interest: The interest rate will be the market rate for similar loans and will not be determined until such time as the loan, notes or debentures are finalized. At this time it is expected that the margin rate will be between 2 and 10 percent, depending on the Borrowers financial performance. Some borrowings may be based off of a base rate, such as LIBOR or the Prime rate charged by a specified major bank for loans of similar size with similar maturities. In some cases, lenders, noteholders or debentures holders may also be given warrants to purchase voting securities of one or more of the Borrowers of up to 5% as part of the consideration for the financing.

Security: Some and perhaps all of the loans to Borrower are expected to be secured by a first ranking security interest in specified assets of CTC, including a security interest in its stock, receivables, tangible personal property and equipment. In some cases, CTC may provide guarantees or serve as a co-borrower. The security documents will contain appropriate provisions indicating that the exercise of certain rights thereunder may be subject to obtaining prior regulatory approval.

Use of Proceeds: Some of the proceeds will be used to repay amounts borrowed from its parent company, for general corporate purposes, capital expenses, and working capital. Other proceeds will be used to fund the acquisition of other telecommunications companies and/or telecommunications assets.

Public Interest Considerations: The financing will serve the public interest by enhancing the ability of CTC to grow and compete in the highly competitive markets for telecommunications services in Kentucky and nationwide, particularly in the states in the Northeast and mid-Atlantic regions. Approval of the financing transaction described herein is not expected directly to affect in any way the rates or services of CTC or its affiliates, or result in any change in control of CTC or its affiliates. Because CTC 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 CTC operates, the rates charged customers are subject to market discipline and the services offered generally are available from numerous other carriers. As a result, the source of funds and capital structure of CTC would have little effect on customers in Kentucky or elsewhere.

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 financing in the manner they deem most appropriate to carry on business so long as there is no adverse impact on the public. To deny such flexibility would discourage new competitors from entering the state and would encourage existing competitors in

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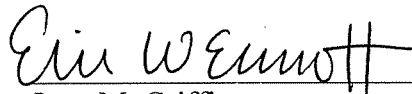
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the state to seek a more favorable regulatory environment elsewhere, neither of which would enhance the public interest.

CTC submits that no Commission approval is required for the financing transaction described herein. An original and four (4) copies of this filing are enclosed. Enclosed please also find a duplicate copy of this filing and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided. Should the Commission have any questions, please contact Erin Emmott at (202) 955-9766.

Respectfully submitted,

CTC COMMUNICATIONS CORP.

By:  _____

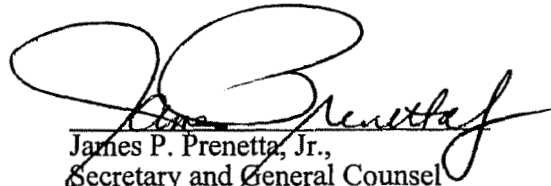
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Its Counsel

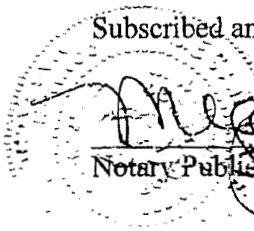
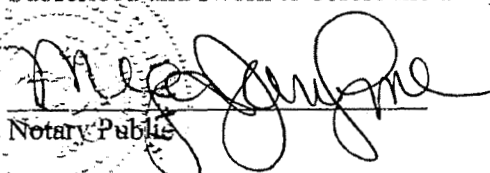
VERIFICATION

I, James P. Prenetta, Jr., am Secretary and General Counsel of CTC Communications Group, Inc., and am authorized to represent it and its affiliates, and to make this verification on their behalf. The statements in the foregoing document relating to CTC Communications Group, Inc., and its affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.


I declare under penalty of perjury that the foregoing is true and correct.


James P. Prenetta, Jr.,
Secretary and General Counsel
CTC Communications Group, Inc.

Subscribed and sworn to before me this 26th day of September 2005.



Notary Public

My Commission expires: 10/16/09


MEGAN JANE LOWE
Notary Public
Commonwealth of Massachusetts
My Commission Expires
October 16, 2009