

Edgar Filing: 1818 FUND III LP - Form SC 13D/A

1818 FUND III LP  
Form SC 13D/A  
August 26, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 3)

Z-TEL TECHNOLOGIES, INC.  
(Name of Issuer)

Common Stock  
-----  
(Title of Class of Securities)

988792107  
(CUSIP Number)

LAWRENCE C. TUCKER  
Brown Brothers Harriman & Co.  
140 Broadway  
New York, New York  
(212) 483-1818  
(Name, Address and Telephone Number of  
Person Authorized to Receive Notices  
and Communications)

August 24, 2004  
(Date of Event which Requires Filing of  
this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box .

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 988792107

-----  
1 NAME OF REPORTING PERSON

THE 1818 FUND III, L.P.  
-----

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  [X]  
(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS  
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)  [ ]

6 CITIZENSHIP OR PLACE OR ORGANIZATION  
DELAWARE

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		-0-
	8	SHARED VOTING POWER
		28,439,975
	9	SOLE DISPOSITIVE POWER
		-0-
	10	SHARED DISPOSITIVE POWER
		28,439,975

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
See Item 5.

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES  [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
43.13%

14 TYPE OF REPORTING PERSON  
PN

3

CUSIP No. 988792107

1 NAME OF REPORTING PERSON  
BROWN BROTHERS HARRIMAN & CO.

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  [X]  
(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS  
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)  [ ]

6 CITIZENSHIP OR PLACE OR ORGANIZATION  
NEW YORK

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		-0-
	8	SHARED VOTING POWER
		65,928,182
	9	SOLE DISPOSITIVE POWER
		-0-
	10	SHARED DISPOSITIVE POWER
		65,928,182

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
See Item 5.

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES  [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
43.13%

14 TYPE OF REPORTING PERSON  
PN

4

CUSIP No. 988792107

1 NAME OF REPORTING PERSON  
T. MICHAEL LONG

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  [X]  
(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS  
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)  [ ]

6 CITIZENSHIP OR PLACE OR ORGANIZATION  
UNITED STATES

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		-0-
	8	SHARED VOTING POWER
		65,928,182
	9	SOLE DISPOSITIVE POWER
		-0-
	10	SHARED DISPOSITIVE POWER
		65,928,182

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
See Item 5.

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES  [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
43.13%

14 TYPE OF REPORTING PERSON  
IN

5

CUSIP No. 988792107

1 NAME OF REPORTING PERSON  
LAWRENCE C. TUCKER

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)  [X]  
(b)  [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS  
OO

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
ITEMS 2 (D) OR 2 (E)  [ ]

6 CITIZENSHIP OR PLACE OR ORGANIZATION  
UNITED STATES

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER
		74,696
	8	SHARED VOTING POWER
		28,439,975
	9	SOLE DISPOSITIVE POWER
		74,696
	10	SHARED DISPOSITIVE POWER
		28,439,975

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
See Item 5.

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES  [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
43.2%

14 TYPE OF REPORTING PERSON  
IN

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EXPLANATORY NOTE

This Amendment No. 3 ("Amendment No. 3") to Schedule 13D is filed by the undersigned to amend and supplement the Schedule 13D filed on November 13, 2000 (the "Original 13D"), as amended by Amendment No. 1 to Schedule 13D filed on July 12, 2001 ("Amendment No. 1"), and Amendment No. 2 to

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Schedule 13D filed on August 9, 2001 ("Amendment No. 2"), relating to the common stock (the "Common Stock"), par value \$.01 per share, issued by Z-Tel Technologies, Inc., a Delaware corporation (the "Company"). Unless otherwise indicated, all capitalized terms shall have the same meaning as provided in the Original 13D.

ITEM 1. SECURITY AND ISSUER.

No Change.

ITEM 2. IDENTITY AND BACKGROUND.

No Change.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

Item 3 is hereby amended and supplemented by the addition of the following:

Pursuant to a Standby Credit Facility Agreement, dated August 24, 2004, (the "Standby Credit Facility Agreement"), by and between the Company and the Fund, the Company issued to the Fund on such date a Senior Unsecured Promissory Note (the "Note") in principal amount of up to \$15 million. The Company's obligations under the Standby Credit Facility Agreement and the Note have been guaranteed by the Company's subsidiaries pursuant to the Subsidiaries' Guarantee, dated August 24, 2004, in favor of the Fund (the "Subsidiaries' Guarantee"). The Company's and its subsidiaries' respective obligations under the Standby Credit Facility Agreement, the Note and the

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Subsidiaries' Guarantee are subordinated pursuant to the Subordination Agreement, dated August 24, 2004, by and among the Company, its subsidiaries, the Fund and Textron Financial Corporation. Copies of the Standby Credit Facility Agreement, the Note, the Subsidiaries' Guarantee and the Subordination Agreement are attached hereto as Exhibits 1, 2, 3 and 4 to this Amendment No. 3, respectively, and are hereby incorporated by reference.

The consideration paid by the Fund for the Note consisted of \$5 million in cash at closing (and, if all advances are made under the Note, an aggregate of \$15 million), which was or will be obtained by the Fund from capital contributions made by its partners pursuant to pre-existing capital commitments.

ITEM 4. PURPOSE OF TRANSACTION.

Item 4 is hereby amended and supplemented by the addition of the following:

Pursuant to the terms of the Standby Credit Facility Agreement and the Note, the Fund agreed to loan the Company up to \$15 million. The Note is payable at maturity in cash.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

Item 5 is hereby amended and supplemented by the addition of the following:

On May 20, 2004, Lawrence C. Tucker acquired stock options to purchase 1,100 Shares of Common Stock. The options are exercisable from May 20,

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2005 to May 20, 2014.

No additional securities of the Company were acquired by the Fund. The shares of Preferred Stock and Series G Preferred Stock held by the Fund are convertible

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into shares of Common Stock. The number of shares of Common Stock into which Preferred Stock and Series G Preferred Stock may convert increases over time, as described in Amendment No. 2, due to the accrual of dividends on Preferred Stock and Series G Preferred Stock. All accrued dividends on Series G Preferred Stock that are converted into Common Stock will result in additional shares of Common Stock being issuable to holders of the Warrant and Preferred Stock as a result of the anti-dilution provisions in the Warrant and the Certificate of Designations of the Preferred Stock.

As of the date hereof, based on calculations made in accordance with Rule 13-d3(d) promulgated under the Exchange Act and there being 37,488,207 shares of Common Stock outstanding (as reported on the Company's Form 10-Q for the quarter ended June 30, 2004), the number of shares of Common Stock the Fund, BBH, Long and Tucker are deemed to own and the percent of the outstanding shares of Common Stock are as follows:

	Shares -----	Percentage -----
Fund	28,439,975	43.13%
BBH	28,439,975	43.13%
Long	28,439,975	43.13%
Tucker	28,514,671	43.2%

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE COMMON STOCK OF THE ISSUER.

Item 6 is hereby amended by deleting it in its entirety and replacing it with the following:

The Company and the Fund are parties to the Registration Rights Agreement which gives the Fund, among other things, the right, on the terms and conditions set forth therein, to require the Company to register for sale to the public any shares of Common Stock held by the Fund, including without limitation, shares of

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Common Stock issuable upon the conversion of Preferred Stock and Series G Preferred Stock held by the Fund and upon exercise of the Warrant and the Series G Warrant.

Except as described elsewhere in this Statement and as set forth in the Standby Credit Facility Agreement, the Note, the Subsidiaries' Guarantee and the Subordination Agreement, copies of which are attached hereto as Exhibits 1, 2, 3 and 4 to this Amendment No. 3, and incorporated herein by reference, to the best of the knowledge of the Reporting Persons, there exists no contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named in Item 2 and between such persons and any person with respect to any securities of the Company, including but not limited to transfer

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or voting any securities of the Company, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

1. Standby Credit Facility Agreement, dated as of August 24, 2004, by and between Z-Tel Technologies, Inc. and The 1818 Fund III, L.P.
2. Senior Unsecured Promissory Note, dated as of August 24, 2004, of Z-Tel Technologies, Inc. issued to The 1818 Fund III, L.P.
3. Subsidiaries' Guarantee, dated August 24, 2004, by the signatories thereto in favor of The 1818 Fund III, L.P.
4. Subordination Agreement, dated August 24 2004, by and among Z-Tel Technologies, Inc., The 1818 Fund III, L.P., Textron Financial Corporation and the other signatories thereto.

SIGNATURE

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After reasonable inquiry and to the best of its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: August 24, 2004

THE 1818 FUND III, L.P.

By: Brown Brothers Harriman & Co.,  
General Partner

By: /s/ Lawrence C. Tucker

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Name: Lawrence C. Tucker  
Title: Partner

BROWN BROTHERS HARRIMAN & CO.

By: /s/ Lawrence C. Tucker

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Name: Lawrence C. Tucker  
Title: Partner

/s/ T. Michael Long

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T. Michael Long

/s/ Lawrence C. Tucker

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Lawrence C. Tucker