

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT  
NASHVILLE, TENNESSEE**

**March 22, 2006**

<b>IN RE:</b>	)	
	)	
<b>PETITION OF CTC COMMUNICATIONS</b>	)	<b>DOCKET NO.</b>
<b>CORPORATION REGARDING ITS INTENT</b>	)	<b>05-00273</b>
<b>TO PROVIDE SECURITY IN CONNECTION</b>	)	
<b>WITH FINANCING</b>	)	

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**ORDER APPROVING FINANCING TRANSACTION**

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This matter came before Chairman Ron Jones, Director Deborah Taylor Tate and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on November 7, 2005 for consideration of the Petition filed by CTC Communications Corporation ("CTC") requesting Authority approval of a financing transaction pursuant to Tenn. Code Ann. § 65-4-109 (2004).

**The Petition**

CTC, a Massachusetts corporation, is a subsidiary of CTC Communications Group, Inc. ("CTC Group"), a Delaware corporation. CTC was issued a Certificate of Convenience and Necessity to provide the resale of interexchange telecommunications service and/or operator service in the State of Tennessee by an order of the Tennessee Public Service Commission in Docket No. 95-02520 on September 12, 1995. CTC has thirty-three (33) customers in Tennessee.

On October 11, 2005, CTC filed its Petition with the Authority seeking approval, to the extent necessary, of a financing transaction pursuant to Tenn. Code Ann. § 65-4-109 (2004).<sup>1</sup> CTC requests authorization 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 Group and/or a new holding company that may be formed by CTC Group to directly own the stock of CTC (collectively, the “Borrowers”).

The 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 at the time of the funding. 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 Petition states that the lenders are expected to be a consortium of banks and financial institutions, and perhaps other types of investors, which may change over the life of the loan. CTC expects that Landsbanki Islands hf will be one of the consortium’s lead banks. Portions of the \$500 million borrowed may be in the form of conventional credit arrangements such as revolving credits, letters of credit, the issuance of secured or unsecured notes or debentures to banks, other types of financial institutions, other investors or term loans.

According to the Petition, the maturity date, which is subject to negotiation, will depend on credit conditions, but is expected to range from three to ten years from the date of the initial borrowing. Principal payments will be made periodically in accordance with a prescribed

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<sup>1</sup> CTC originally submitted an informational filing to the Authority on September 27, 2005. That informational filing was later submitted with the Petition as Attachment A.

schedule established for such borrowing. 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. As security for the financing transactions, the Petition states that some and perhaps all of the loans to Borrowers 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. 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.

CTC asserts that the financing transaction will serve the public interest by enhancing its ability to grow and compete in the highly competitive markets for telecommunications services in Tennessee and nationwide. According to the Petition, approval of the financing transaction is not expected to directly affect the rates or services of CTC or its affiliates, or result in any change in control of CTC or its affiliates.

#### **November 7, 2005 Authority Conference**

Tenn. Code Ann. § 65-4-109 (2004) provides as follows:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

Pursuant to this statutory authority, the TRA must determine whether the proposed financing transaction is in accordance with law and the stated purpose meets with the TRA's approval.

At a regularly scheduled Authority Conference held on November 7, 2005, the panel voted unanimously to approve the Petition and made the following findings:

1. The proposed transaction is subject to Authority approval pursuant to Tenn. Code Ann. § 65-4-109 (2004).
2. The proposed transaction will affect the assets of CTC Communications Corp., an entity certificated to offer telecommunications services in Tennessee.
3. CTC states that federal approval is not required but that it has sought approval in other states.
4. Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace, which includes obtaining information on the financial transactions and fitness of certificated telecommunications carriers.
5. The burden of compliance with Tenn. Code Ann. § 65-4-109 (2004) is minimal as such compliance should be perfunctory given the telecommunications industry's movement to a competitive environment.
6. The proposed transaction is being made in accordance with the laws enforceable by the Authority.
7. The purpose of the transaction is in the public interest because, based on the assertions of CTC, the transactions will "enhance the ability of CTC to grow and compete in the highly competitive markets."<sup>2</sup>

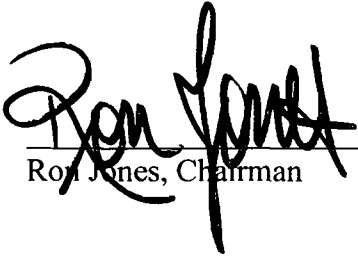
**IT IS THEREFORE ORDERED THAT:**

1. CTC Communications Corporation is authorized to enter into the financing transaction as described in the Petition and discussed herein.

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<sup>2</sup> Petition, Attachment A, p. 3 (October 11, 2005).

2. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risks has been performed. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee or any political subdivision thereof for the transactions approved herein.

  
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Ron Jones, Chairman

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Deborah Taylor Tate, Director<sup>3</sup>

  
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Sara Kyle, Director

<sup>3</sup> Director Tate voted in agreement with the other directors but resigned her position as director before the issuance of this order.