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November 30, 2005

VIA HAND DELIVERY
Ron Jones, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37219

Re: Application of Pac-West Telecomm, Inc. for a Certificate of Convenience and Necessity to Provide Competing Local Telecommunications Services and to Provide Facilities-Based and Resold Interexchange Services in Tennessee
Docket No. 05-00314

Dear Chairman Jones:

Enclosed you will find the original and thirteen (13) copies of Pac-West Telecomm's responses to the staff data requests dated November 28, 2005.

Please contact us if you need any additional information.

Sincerely,

D. Billye Sanders

D. Billye Sanders
Attorney for Pac-West Telecomm, Inc

cc. Richard M. Rindler
Brian McDermott
Lynne Martinez

1165900 1

Re: Application of Pac-West Telecomm, Inc. for a Certificate of Convenience and Necessity to Provide Competing Local Telecommunications Services and to Provide Facilities-Based and Resold Interexchange Services in Tennessee
Docket No. 05-00314

Responses to First Data Requests of the TRA Staff

Please provide the following:

1. An informational tariff detailing the services, prices, terms and conditions of the service to be offered by Pac-West Telecomm, Inc.

RESPONSE: A copy of the tariff of Pac-West Telecomm, Inc. is attached.

2. A sample bill.

RESPONSE: A copy of a sample bill is attached.

3. The most recent financial information for Pac-West Telecomm, Inc. The financials submitted were through December 2004. If interim financials for 2005 are available, please provide them.

RESPONSE: A copy of the Form 10-Q of Pac-West Telecomm for the quarterly period ended September 30, 2005 is attached.

Tariff Schedule Applicable to

Resold and Facilities-Based

Competitive Local Exchange and Interexchange Services

Furnished by

Pac-West Telecomm, Inc.

Between Points Within the State of Tennessee

Lynne Martinez, Director Government Affairs
Pac-West Telecomm, Inc.
1776 W. March Lane, Suite 250
Stockton, CA 95207

CHECK SHEET

The sheets inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this sheet

Page	Number of Revision	Page	Number of Revision
1	Original	30	Original
2	Original	31	Original
3	Original	32	Original
4	Original	33	Original
5	Original	34	Original
6	Original	35	Original
7	Original	36	Original
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Pac-West Telecomm, Inc.
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TARIFF FORMAT

A. **Page Numbering** - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between Page 14 and 15 would be 14.1.

B. **Page Revision Numbers** - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised Page 14 cancels the 3rd revised Page 14.

C. **Paragraph Numbering Sequence** - There are various levels of paragraph coding. Each level of coding is subservient to its next higher level:

2
2.1
2.1.1
2.1.1.1

D. **Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the pages contained in the tariff, with a cross-reference to the current revision number. When new pages are added, the Check Sheet is changed to reflect the revision An asterisk designates all revisions made in a given filing (*). There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remain the same, just revised revision levels on some pages.) The tariff user should refer to the latest Check Sheet to find out if a particular page is the most current on file with the Commission.

Explanation of Symbols

(C) – To signify a changed regulation

(D) – To signify a discontinued rate or regulation

(I) – To signify an increase in a rate

(M) – To signify text or rates relocated without change

(N) – To signify a new rate or regulation or other text

(R) – To signify a reduction in a rate

(S) – To signify reissued regulations

(T) – To signify a change in text but no change in rate

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DEFINITIONS

"Applicant" refers to an individual, partnership, corporation, association, or government agency who applies to the Company for any new or additional telephone service.

"Business Hours" refers to the time after 8:00 A.M. and before 5:00 P.M., Monday through Friday excluding holidays

"Carrier," "Company" or "Utility" refers to Pac-West Telecomm, Inc.

"Completed call" is a call which the Company's network has determined has been answered by a person, answering machine, fax machine, computer modem device, or other answering device.

"Customer" refers to any person, firm, corporation, or governmental entity who has applied for and is granted service or who is responsible for payment of service.

"Delinquent or Delinquency" refers to an account for which payment has not been paid in full on or before the last day for timely payment.

"Grandfathered Service" applies to an obsolete and/or outdated service the Utility no longer wishes to provide. The grandfathering of a service is the Utility's method of managing a tariff for this service prior to ultimately discontinuing the service, or change existing tariff regulations without discontinuing certain rights, privileges or conditions of the service to existing customers.

"Hunting Service" refers to an arrangement to search multiple lines of the same class of service and of the same customer for a vacant line for each incoming call.

DEFINITIONS (Cont'd)

"Local Access Transport Area ("LATA")" refers to a geographical area established by the U.S. District Court for the District of Columbia in Civil Action No. 820192.

"Nonrecurring Charges" refer to a one-time charge associated with given service or item of equipment which applies on a per-service and/or per item basis each time the service or item of equipment is provided.

"Non-Published or Unlisted Service" refers to service that is not accompanied by inclusion of the Subscriber's name, address, or telephone number in a published directory or directory assistance data base.

"Service" refers to any telecommunications service(s) provided by the Company under this tariff.

"Subscriber" refers to the firm, company, corporation, or other entity that contracts for service under this tariff and that is responsible for the payment of charges as well as compliance with the Company's regulations pursuant to this tariff.

"Station" refers to a telephone instrument consisting of a connected transmitter, receiver, and associated apparatus to permit sending or receiving telephone messages.

"Tariffs" refer to the tariffs, price lists, and generally applicable terms and conditions on file with a state or federal regulatory authority or publicly available on the Company's website in accordance with the regulations of a state or federal regulatory authority.

"Telephone Numbers" refer to The North American Numbering Plan [NPA-NXX-XXXX] numbers assigned to Pac-West Customers and used in conjunction with the Services provided pursuant to this tariff.

"TRA" refers to the Tennessee Regulatory Authority.

Section 1. APPLICATION OF TARIFF

1.1.1 This tariff governs the services provided by Pac-West Telecomm, Inc. that originate and terminate within the State of Tennessee. Specific services and rates are described elsewhere in this tariff.

1.1 2 The Company's installs operates, and maintains the communications services provided herein in accordance with the terms and conditions set forth under this tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Company's network. The customer shall be responsible for all charges due for such service arrangement.

1.1.3 The Company's services and facilities are provided on a monthly basis unless ordered on a longer term basis, and are available twenty-four hours per day, seven days per week.

1.1.4 The Company's services are available to business customers.

SECTION 2. RULES AND REGULATIONS

2.1 Undertaking of the Company

This tariff contains the regulations, rates and charges applicable to resold and facilities-based competitive local exchange and interexchange services provided by the Company in the State of Tennessee.

2.2 Obligations of the Customer

2.2.1 The customer shall be responsible for:

2.2.1.1 The payment of all applicable charges pursuant to this tariff.

2.2.1.2 Reimbursing the Company for damage to, or loss of, the Company's facilities or equipment caused by the acts or omissions of the customer; or the noncompliance by the customer, with these regulations, or by fire or theft or other casualty on the customer's premises unless caused by the negligence or willful misconduct of the employees or agents of the Company.

2.2.1.3 Providing at no charge, as specified from time to time by the Company, any needed space and power to operate the Company's facilities and equipment installed on the customer's premises.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.2 Obligations of the Customer (Cont'd)

2.2.1.4 Complying with all laws and regulations regarding the working conditions on the premises at which the Company's employees and agents shall be installing or maintaining the Company's facilities and equipment. The customer may be required to install and maintain the Company's facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material prior to any construction or installation work.

2 2 1.5 Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of the Company's facilities and equipment in any customer premises for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company.

2.2.1.6 Making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and the customer. No allowance for interruptions in service will be made for the period during which service is interrupted for such purposes.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.2 Obligations of the Customer (Cont'd)

2.2.2 With respect to any service or facility provided by the Company, the customer shall indemnify, defend and hold harmless the Company from all claims, actions, damages, liabilities, costs and expenses for:

2.2 2.1 Any loss, destruction or damage to property of the Company or any third party, or injury to persons, including, but not limited to, employees or invitees of either the Company or the customer, to the extent caused by or resulting from the negligent or intentional act or omission of the customer, its employees, agents, representatives or invitees; or

2.2.2.2 Any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the customer.

2.2.3 The customer is responsible for ensuring that customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The connection, operation, testing, or maintenance of such equipment shall be such as not to cause damage to the Company–provided equipment and facilities or injury to the Company's employees or other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the customer's expense.

2.2.4 The Company's services (as detailed in this tariff) may be connected to the services or facilities or other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs or contracts which are applicable to such connections.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.2 Obligations of the Customer (Cont'd)

2.2.5 Upon reasonable notification to the customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the customer is complying with the requirements set forth in this tariff for the installation, operation, and maintenance of customer-provided facilities and equipment that is connected to Company-owned facilities and equipment.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company

2.3.1 In view of the fact that the customer has exclusive control over the use of service and facilities furnished by the Company, and because certain errors incident to the services and to the use of such facilities of the Company are unavoidable, services and facilities are furnished by the Company subject to the terms, conditions and limitations herein specified:

(A) The Company's damages arising out of its negligent acts, or mistakes, omissions, interruptions, delays, errors, or defects during the course of furnishing service, shall in no event exceed an amount equivalent to Pac-West's charges for service during the period affected by such negligence, or in which such mistakes, omissions, interruptions, delays, errors, or defects occurred. Any mistakes, omissions, interruptions, delays, errors, or defects that are caused by or materially contributed to by the negligence or willful acts of Customer, or that arise from facilities or equipment used by Customer and not provided by Pac-West, shall not result in the imposition of any liability upon Pac-West.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.3 Liability of the Company (Cont'd)

(B) Customer shall defend, indemnify, and hold harmless the Company, its officers and directors, employees, and agents from and against any and all lawsuits, claims, demands, penalties, losses, fines, liabilities, damages, and expenses of any kind and nature (including, without limitation, liability to third parties for personal injury or death and for loss or damage to property, and loss or damage to Company property, and injury to Company employees), without limitation whatsoever, that in any way arise out of or result from Customer's operations, installation or maintenance of equipment and facilities, or performance under this tariff, or that arises out of or in any way is connected with Customer's provision of service to its end users, or any use or attempted use by Customer or any such end user of services provided by the Company hereunder; provided that this section shall not apply to the extent that any injury, loss, or damage is caused by the gross negligence or willful misconduct on the part of the Company

(C) The Company will not be liable for any act, omission to act, negligence, or defect in the quality of service of any underlying carrier or other service provider whose facilities or services are used in furnishing any portion of the service received by Customer. Pac-West will not be liable for any failure of performance that is caused by or the result of any act or omission by Customer or any entity other than Pac-West, that furnishes services, facilities, or equipment used in connection with Pac-West's services or facilities.

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SECTION 2. <u>RULES AND REGULATIONS</u> (Cont'd)

2.3 Liability of the Company (Cont'd)

(D) EXCEPT AS EXPRESSLY PROVIDED IN THIS TARIFF, PAC-WEST MAKES NO EXPRESSED OR IMPLIED REPRESENTATIONS, OR WARRANTIES, INCLUDING ANY WARRANTIES REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

(E) IN NO EVENT SHALL PAC-WEST BE LIABLE TO CUSTOMER FOR SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL, OR PUNITIVE DAMAGES (INCLUDING WITHOUT LIMITATION, LOST PROFITS OR REVENUE).

2.3.2 Limitation of Liability

2.3.2.1 Nothing in this tariff shall be construed to limit the Company's liability in cases of gross negligence or willful misconduct.

2.3.3 Force Majeure

2.3.3.1 Neither Party shall be responsible for delays or failures in performance, except for the obligation to make payments required under this tariff, resulting from acts or occurrences in the nature of force majeure such as fire, explosion, acts of God, war, or civil commotion; any law, order, regulation, or ordinance of any government or legal body; strikes; or delays caused by the other Party. In such event, the Party affected shall, upon giving prompt notice to the other, be excused from such performance to the extent of such interference. The affected Party shall use its reasonable efforts to avoid or remove the cause of non-performance and both Parties shall proceed to perform with dispatch once the causes are removed or cease.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2 4 Application for Service

2.4.1 Minimum Contract Period

2.4.1.1 Except as otherwise provided, the minimum contract period is one month for all services furnished. However, if a new customer notifies the Company within twenty days after receipt of the first bill that certain services or equipment are not desired, the Company will delete such services or equipment from the customer's account without a record keeping or service ordering charge. The customer nonetheless shall be responsible for all monthly usage and installation charges incurred for the use of such service and equipment.

2.4.1.2 Except as provided in 2.4.2.1, the length of minimum contract period for directory listings, and for joint user service where the listing actually appears in the directory, is the directory period. The directory period is from the day on which the directory is first distributed to customers to the day the succeeding directory is first distributed to customers.

2.4.1.3 The Company may require a minimum contract period longer than one month in connection with special, non-standard types or arrangements of equipment, or for unusual construction, necessary to meet special demands for service.

2.4.2 Cancellation of Service

2.4.2.1 Where the applicant cancels an order for service prior to the start of the installation or special construction of facilities, no charge shall apply, except to the extent the Company incurs a service order or similar charge from a supplying carrier, if any, prior to the construction.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.4 Application for Service (Cont'd)

2.4.2.2 Where the installation of facilities, other than those provided by special construction, has been started prior to cancellation, the lower of the following charge applies;

2.4.2.2.A The total costs of installing and removing such facilities; or

2.4.2.2.B The monthly charges for the entire initial contract period of the service ordered by the customer as provided in this tariff plus the full amount of any applicable installation and termination charges.

2.4.2.3 Where special construction of facilities has been started prior to the cancellation, and the Company has another requirement for the specially constructed facilities, no charge applies.

2.4.2.4 The Company reserves the right to redefine its regions, add new regions, or remove regions from its current offering, as it deems appropriate in its sole discretion and will provide the Customer with at least thirty (30) days' notice of any change in the definition of the Company's regions.

2.4.2.5 In the event that the Company plans to exit a current region, the Customer shall be provided with thirty (30) days prior written notification of the Company's intent The Customer shall be allowed to immediately terminate services in the affected region without penalty.

SECTION 2. <u>RULES AND REGULATIONS</u> (Cont'd)

2.5 Payment for Service

2.5.1 Pac-West will bill Customer monthly, with recurring charges being billed in advance and any usage charges billed in arrears. Payment is due upon receipt by Customer and payable within twenty-two (22) days of the Bill Date (the "Due Date").

2.5.2 Payments are past due if not received by the Company by the Due Date. Any amounts past due will be subject to a late payment charge accruing at the rate of 1-1/2% per month until paid. In addition, bills not paid within thirty (30) days of the Bill Date and which have not been disputed in accordance with the procedures set forth in Section 2.7 of this tariff, may result in suspension of access privileges to Pac-West's collocate facility if Customer is collocated until the full amount of the bill is paid. Bills not paid within forty (40) days of the Bill Date and which have not been disputed in accordance with the procedures set forth in Section 2.7.1 of this tariff, may result in suspension of service until the overdue payments and any additional charges that may be imposed to restore service have been paid. Customer agrees to pay all costs incurred by Pac-West in collecting any unpaid amounts, including attorneys' fees. Failure of the Customer to pay all undisputed amounts by the Due Date is a material breach and a seven (7) day notice shall be required in order to terminate services hereunder for non- payment.

SECTION 2. <u>RULES AND REGULATIONS</u> (Cont'd)

2.5 Payment for Service (Cont'd)

2.5.2 The customer is responsible for payment of all charges for service furnished to the customer. Charges based on actual usage during a month will be billed monthly in the month following the month in which the service was used. All fixed monthly and nonrecurring charges for services ordered will be billed monthly in advance.

2.5.3 The Company reserves the right to require from an applicant for service advance payments of fixed charges and nonrecurring charges. The advance payment will not exceed an amount equal to the nonrecurring charge(s) and one month's charges for the service or facility In addition, where special construction is involved, the advance payment may also include an amount equal to the estimated nonrecurring charges for the special construction. The advance payment will be applied to any indebtedness for the service and facilities for which the advance payment is made on the customer's initial bill.

Advanced payments for installation costs or special construction will be credited on the first bill in their entirety.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.6 Customer Deposits

2.6.1 The Company may require a deposit or guarantee of payment from any customer or applicant who has not established good credit with that utility. Deposit or guarantee of payment requirements as prescribed by the utility must be based upon standards which bear a reasonable relationship to the assurance of payment. A deposit shall not exceed an estimated two months' gross bill or existing two months' bill where applicable. All deposits shall be in addition to payment of an outstanding bill or a part of such bill as has been resolved to the satisfaction of the Company, except where such bill has been discharged in bankruptcy. The Company will not require a deposit or a guarantee of payment without explaining in writing why that deposit or guarantee is being required and under what conditions, if any, the deposit will be diminished upon return.

The Company may determine whether a customer has established good credit with that utility, except as herein restricted:

2.6.1.1 A customer, who within the last 12 months has not had service disconnected for nonpayment of a bill and has not been liable for disconnection of service for nonpayment of a bill, and the bill is not in dispute, shall be deemed to have established good credit.

2.6.1.2 The Company shall not require a deposit or a guarantee of payment based upon income, home ownership, residential location, employment tenure, nature of occupation, race, color, creed, sex, marital status, age, national origin, or any other criteria which does not bear a reasonable relationship to the assurance of payment or which is not authorized by this chapter.

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SECTION 2. RULES AND REGULATIONS (Cont'd)

2.6 Customer Deposits (Cont'd)

2.6.1.3 No utility shall use any credit reports other than those reflecting the purchase of utility services to determine the adequacy of a customer's credit history without the permission in writing of the customer. Any credit history so used shall be mailed to the customer in order to provide the customer an opportunity to review the data. Refusal of a customer to permit use of a credit rating or credit service other than that of a utility shall not affect the determination by the utility as to that customer's credit history.

2.6.2 Return of Deposit

When a deposit is to be returned, the Customer may request that the full amount of the deposit be issued by check. If the Customer requests that the full amount be credited to amounts owed the Company, the Company will apply the deposit to any amount currently owed to the Company, and return any remaining amount of the deposit to the Customer by check.

2.6.3 Interest on Deposits

Interest shall be paid on deposits in excess of $20 at the rate of six percent per year. Interest on deposits shall be payable from the date of deposit to the date of refund or disconnection. The Company may, at its option, pay the interest at intervals it chooses but at least annually, by direct payment, or as a credit on bills.

Upon termination of service, the deposit with accrued interest shall be credited to the final bill and the balance shall be returned within 45 days to the customer.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.7 Customer Complaints and Billing Disputes

2.7.1 In the event that Customer disputes any charges, Customer must submit a written claim describing the disputed amount. Customer shall submit all documentation as may reasonably be required to support the claim. Payment may be withheld for the amounts subject to a dispute submitted prior to the Due Date. All disputes and claims for refunds must be submitted to Pac-West within one hundred and twenty (120) days of the Bill Date. If Customer does not submit a claim as stated above, Customer waives all rights to file a claim thereafter. Pac-West shall investigate and resolve all disputes within forty-five (45) days of receipt of the dispute and Pac-West's resolution of such a dispute is final. Any portion of a disputed amount deemed payable by Pac-West must be paid in full within ten (10) days of resolution or Customer's service may be subject to disconnection and late payment charges imposed on the overdue amount.

2.7.2 Any unresolved dispute may be directed to Division of Communications, Virginia State Corporation Commission, P.O. Box 1197, Richmond, Virginia 23218. Customers may also fax their complaint to 804-371-9069.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.8 Allowance for Interruptions in Service

2.8.1 Credit for failure of service or equipment will be allowed only when failure is caused by or occurs in equipment owned, provided, or billed for, by the Company.

2.8.2 The following allowances are provided for interruptions in service, as specified for particular services furnished solely by the Company:

The Company shall allow for interruptions in exchange telephone service of 24 hours or more not due to conduct of Customer an amount equal to the fixed monthly charges for exchange service multiplied by the ratio of the days of interruption to thirty days. When interruptions continue beyond 24 hours, credit allowance will be given in successive 24-hour multiples

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SECTION 2. <u>RULES AND REGULATIONS</u> (Cont'd)

2.9 Taxes and Fees

2.9.1 All state and local taxes and fees shall be listed as separate line items on the customer's bill.

2.9.2 If a municipality, other political subdivision or local agency of government, or the Commission imposes and collects from the Company a gross receipts tax, occupation tax, license tax, permit fee, franchise fee, or regulatory fee, such taxes and fees shall, as allowed by law, be billed pro rata to the customer receiving service from the Company within the territorial limits of such municipality, other political subdivision or local agency of government.

2.9.3 Service shall not be subject to taxes for a given taxing jurisdiction if the customer provides the Company with written verification, acceptable to the Company and to the relevant taxing jurisdiction, that the customer has been granted a tax exemption.

2.10 Returned Check Charge

The charge for a returned check is $30.00.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.11 Special Customer Arrangements

In cases where a customer requests special or unique arrangements which may include but are not limited to engineering, conditioning, installation, construction, facilities, assembly, purchase or lease of facilities and/or other special services not offered under this tariff, the Company, may provide the requested services. Appropriate recurring charges and/or nonrecurring charges and other terms and conditions will be developed for the customer for the provisioning of such arrangements.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.12 Disconnection and Termination of Service

The Company shall not disconnect basic local service for nonpayment of toll or information service charges or any service other than basic local service.

2 12.1 Disconnection of Service Without Notice

Pac-West shall have the right to refuse or discontinue telephone service or service arrangements without advance notice, if the acts of the Customer or the conditions upon their premises are such as to indicate an intent to defraud Pac-West or to use the Service to defraud a third party, including but not limited to, providing false credit information, significantly misstating expected service volumes, using the services for unlawful purposes, or using services without intent to pay.

Pac-West will attempt to contact the Customer by telephone prior to discontinuing the Service or portions thereof. If Pac-West is unable to contact the Customer by telephone, a letter will be mailed to the Customer on the same date that their service or service arrangement is discontinued, explaining the reasons for such action and the Customer's right to dispute such action.

Customer is responsible for all charges attributable to Customer, even if incurred as a result of fraudulent or unauthorized use of the Service by third parties. Pac-West may, but is not obligated to, detect or report unauthorized or fraudulent use of Service.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.12 Disconnection and Termination of Service (Cont'd)

2.12.2. Disconnection of Service Requiring Notice

2.12.2.1 The Company may disconnect service for any of the following reasons provided it has notified the customer of its intent, in writing, to disconnect service and has allowed the customer a reasonable time of not less than five (5) working days in which to remove the cause for disconnection:

2.12.2.1.A Non-compliance with Regulations. For violation of or non-compliance with Commission's rules and regulations or for violation of or non-compliance with the Company's tariffs on file with the Commission.

2.12.2.1.B Failure on Contractual Obligations. For failure of the customer to fulfill his contractual obligations for service or facilities subject to regulation by the Commission.

2.12.2.1.C Refusal of Access. For failure of the customer to permit the Company to have reasonable access to its equipment and property.

2.12.2.1.D Failure to meet the utility's deposit and credit requirements.

2.12.2.1.E For non-payment of a bill for service, provided that the Company has made a reasonable attempt to effect collection and has given the customer written notice of its intent to deny service if settlement of his account is not made and provided the customer has at least five (5) working days notice, in which to make settlement before his service is denied.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.12 Disconnection and Termination of Service (Cont'd)

2.12.2.1 F Failure to Comply with Service Conditions. For failure of the customer to furnish the service equipment, permits, certificates, or rights-of-way, specified by the Company as a condition to obtaining service, or if the equipment or permissions are withdrawn or terminated.

2.12.2.1.G Failure to Comply with Municipal Ordinances. For failure to comply with municipal ordinances or other laws pertaining to telephone service.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.13 Unlawful Use of Service

2.13.1 Service shall not be used for any purpose in violation of law or for any use as to which the customer has not obtained all required governmental approvals, authorizations, licenses, consents, and permits. The Company shall refuse to furnish service to an applicant or shall disconnect the service without notice of a customer when:

2.13.1.1 An order shall be issued, signed by a judge finding that probable cause exists to believe that the use made or to be made of the service is prohibited by law, or

2.13.1.2 The Company is notified in writing by a law enforcement agency acting within its jurisdiction that any facility furnished by the Company is being used or will be used for the purpose of transmitting or receiving gambling information in interstate or foreign commerce in violation of the law.

2.13.2 If service has been physically disconnected by law enforcement officials at the customer's premises and if there is not presented to the Company the written finding of a judge, then upon written or verbal request of the subscriber, and agreement to pay restoral of service charges and other applicable service charges, the Company shall promptly restore such service.

2.14 Interference with or Impairment of Service

Service shall not be used in any manner that interferes with other persons in the use of their service, prevents other persons from using their service, or otherwise impairs the quality of service to other customers. The Company may require a customer to immediately shut down its transmission of signals if said transmission is causing interference to others or impairing the service of others.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.15 Telephone Solicitation by Use of Recorded Messages

2.15.1 Service shall not be used for the purpose of solicitation by recorded messages when such solicitation occurs as a result of unrequested or unsolicited calls initiated by the solicitor by means of automatic dialing devices. Such devices, with storage capability of numbers to be called or a random or sequential number generator that produces numbers to be called and having the capability, working alone or in conjunction with other equipment, of disseminating a prerecorded message to the number called and which are calling party or called party controlled, are expressly prohibited.

2.16 Incomplete Calls

2.16.1 There shall be no charge for incomplete calls. No charge will be levied for unanswered calls. Customers will receive credit for calls placed to a wrong number if the customer notifies the Company of the error.

2.17 Overcharge/Undercharge

2.17.1 When a customer has been overcharged, the amount shall be refunded or credited to the customer.

SECTION 2. RULES AND REGULATIONS (Cont'd)

2.18 Notices

2.18.1 Any notice required or permitted to be given under this tariff shall be in writing and delivered by hand, mail, national overnight courier service or by fax if confirmed by telephone to the customer, at the address or phone numbers shown herein or at such other address or phone numbers as shall be designated from time to time.

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Pac-West Telecomm, Inc.
1776 W. March Lane, Suite 250
Stockton, CA 95207

SECTION 2. RULES AND REGULATIONS (Cont'd)

2 19 Emergency Calling

Access to 911 and E911 service is offered solely as an aid in handling assistance calls in connection with fire, police, medical, and other emergencies. The Company is not responsible, in the absence of gross negligence or willful misconduct, for any losses, claims, demands, suits, or any liability, whether suffered, made, instituted, or asserted by the Customer or by any other party or person, for any personal injury to or death of any person or persons, and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of such facilities. By dialing 911, the Customer agrees to release, indemnify, defend, and hold harmless the Company from any and all loss or claims, whatsoever, whether suffered, made, instituted, or asserted by the destruction of any property, whether owned by the Customer or others. Not withstanding any provision to the contrary, in no event shall the Company be liable for any special, incidental, consequential, exemplary, or punitive damages of any nature whatsoever.

The Company is not responsible for any infringement or invasion of the right of privacy of any person or persons, caused, or claimed to have been caused, directly or indirectly, by the installation, operation, failure to operate, maintenance, removal, presence, condition, occasion or use of the 911 service features and the equipment associated therewith, including, but not limited to, the identification of the telephone number, address or name associated with the telephone used by the party or parties accessing the 911 service.

SECTION 3. DESCRIPTION OF SERVICES

3.1 Trial Services

3.1.1 The Company may offer new services, not otherwise tariffed, from time to time on a trial basis subject to Commission approval. Such trials are limited to a maximum of six months at which time the trial offering must be either withdrawn or made available on permanent basis.

3.2 Promotional Offerings

3.2.1 The Company will provide notification to the Commission of its intent to offer promotional services and rates. The Company may offer existing services on a promotional basis, that provides special rates, terms, or conditions of service. Promotional offerings will have a duration and effectiveness of no longer than ninety (90) days. Promotional offerings will begin one at least one day notice to the Commission.

3.3 Individual Case Basis ("ICB") Offerings

3.3.1 The tariff may not specify the price of a service in the tariff as "ICB. The Company may or may not have an equivalent service in its the tariff on file with the Commission, and the quoted ICB rates may be different than the tariffed rates. An ICB must be provided under contract to a customer and the contract filed (can be under seal) with the Commission. All customers have non-discriminatory access to requesting the service under an ICB rate.

SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.4 Customized Pricing Arrangements ("CPAs") Offerings

3.4.1 The Company may offer CPAs to eligible customers. Each CPA is customized to meet the specific needs of a customer. Rates quoted are different from the tariffed rates. CPA rates must be provided under contract to a customer and the contract filed (can be under seal) with the Commission.

3.5 Local Exchange Service

3.5.1 Local Exchange Service is telephone service that entitles the customer to originate local calls, without toll charges, to all local exchange access lines connected to a Central Office (CO) of the exchange, or to all exchange access lines served by COs of the extended local service area where comprised of more than one exchange. Service will be provided where facilities are available from the Local Exchange Company (LEC). Pac-West offers Bellsouth Communications Local Exchange Services under resale.

3.5.2 Service is classified as business service and business rates apply when any of the following conditions exist:

- When the service is furnished at a location where a business, trade or practice is performed and where the use of the location is not confined primarily to domestic activities.
- Service for social clubs (i.e. Elks, VFW, Eagles, etc.) will be considered business service.
- When the directory listing is to be a business listing, except when a residence telephone number is advertised as an alternate call number in connection with a business telephone number.

SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3.6 Long Distance Service

Pac-West long distance services are either intraLATA or InterLATA telephone services that allow customers to originate and terminate calls at locations within the state of Tennessee. Pac-West offers its long distance services only under both a volume commitment and a term commitment. In some cases Pac-West's long distance services may be add-ons to interstate long distance services provided by Pac-West, and are available as provided in Pac-West's interstate tariff. Customers who receive local service from Pac-West, but do not receive interexchange services from Pac-West, will receive intraLATA service from Pac-West, priced in accordance with the rates and procedures used for intraLATA calls. Pac-West will provide customers with the option to select any intraLATA /interLATA carrier upon written request.

SECTION 3. DESCRIPTION OF SERVICES (Cont'd)

3 7 Directory Assistance

3.7.1 General

Directory Assistance (DA) is defined as furnishing aid in obtaining telephone numbers. The Directory Assistance operator will not transfer, forward or redial a customer's call to any other location for any purpose other than the provision of DA service. The service is furnished subject to the condition that there will be no abuse or fraudulent use of the service. Abuse or fraudulent use of the service includes the obtaining, or attempting to obtain, or assisting another to obtain or to attempt to obtain Directory Assistance service, by rearranging, tampering with, or making connection with any facilities of the Company, or by any trick, scheme, false representation, or false credit device, or by or through any other fraudulent means or device whatsoever, with attempt to avoid payment, in whole or in part, of the regular charge for such service. In addition to any other action authorized by this Tariff, the Company may, in such cases of abuse or fraudulent use, assess appropriate Directory Assistance charges on the Customer's regular telephone account

3.7.2. Directory Assistance Call Allowance

Business Customers are allowed one directly dialed Local Directory Assistance call per month at no charge for each central office line or trunk.

SECTION 4. RATES AND CHARGES

4.1 Calculation of Rates

4.1.1 The chargeable time for a long distance call is determined by the duration of the call. Chargeable time begins when connection is established between the calling station and the called station. Chargeable time ends when the calling station hangs up. If the called station hangs up, but the calling station does not, chargeable time ends when the connection is released by either automatic timing equipment in the telecommunications network or by an operator.

4.1.2 Calls are billed in (six) 6 second increments with an eighteen (18) second minimum for interLATA calls and a twenty-four (24) second minimum on intraLATA calls.

4.1.3 Different rates based on the time of day or day of week are described in the following rate table.

Rate Periods	From	To, but not Including	Days
Day	8 00 a m.	5:00 p.m.	Monday-Friday
Evenings	5:00 p.m.	11:00 p m.	Monday-Friday
Night/Weekends	11:00 p m	8.00 a.m	Monday-Friday
Night/Weekends	11:00 p.m.	8 00 a.m.	Saturday-Sunday

The Company charges weekend rates on the following Federal holidays: New Year's Day, President's Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

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SECTION 4. RATES AND CHARGES (Cont'd)

4.2 Local Exchange Service (Cont'd)

4.2 1 Business Service

	Monthly Rate	Non-Recurring Charge
First Measured Business Line or Trunk	$19 22	$49.57[1]
Additional Measured Business Line or Trunk	$19.22	$27.49[2]
Changes, Service Restoration		
To change class, type or grade of service(per line or trunk)	$49.57	
To restore service that has been temporarily disconnected by the Company(per line or trunk, per order)	$49.57	

[1] First Line per Service Order
[2] Additional Lines on the SAME service order

SECTION 4. <u>RATES AND CHARGES</u> (Cont'd)

4.2 Local Exchange Service (Cont'd)

4.2.1 Business Service (Cont'd)

Local Usage Rates

	Day Rate	Evening Rate	Night & Weekend
First Minute	$0.040	$0.028	$0.016
Additional	$0.010	$0.0700	$0 004

SECTION 4. RATES AND CHARGES (Cont'd)

4.3 Long Distance Service

4.3.1 Business Calling Plans

	Pac-West Select Plan	Pac-West Standard Plan
Local Toll	$0.049 Per Minute	$0.099 Per Minute
Intrastate Toll	$0.049 Per Minute	$0.099 Per Minute
Minimum Usage	$5.00 Per Month	$0.00 Per Month

SECTION 4. RATES AND CHARGES (Cont'd)

4.3 Long Distance Service (Cont'd)

4.3.3 IntraLATA Resale

Mileage Band	Rate Period Day	Rate Period Evening	Rate Period Night
	1st Min/addl 1 Min	1st Min/addl 1 Min	1st Min/addl 1 Min
12+ To 16 Miles	$ 0809/$ 0497	$.0648/$ 0398	$ 0486/$ 0298
16+ To 20 Miles	$ 0809/$ 0497	$ 0648/$ 0398	$ 0486/$ 0298
20+ To 25 Miles	$ 0966/$ 0809	$ 0772/$ 0648	$.0579/$ 0486
25+ To 30 Miles	$ 0966/$ 0809	$ 0772/$ 0648	$.0579/$ 0486
30+ To 40 Miles	$ 0966/$ 0809	$ 0772/$ 0648	$ 0579/$ 0486
40+ To 50 Miles	$ 1044/$ 0888	$.0835/$ 0710	$.0626/$ 0533
50+ To 70 Miles	$ 1044/$ 0888	$ 0835/$ 0710	$ 0626/$.0533
70+ Miles	$.1044/$ 0966	$ 0835/$ 0772	$.0626/$ 0579

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SECTION 5. INTRALATA TOLL PRESUBSCRIPTION

5.1 General

IntraLATA toll presubscription is a procedure whereby an end user may select and designate an IntraLATA Toll Provider ("ITP") to access IntraLATA toll calls without dialing an access code. The end user may designate an ITP for IntraLATA toll, a different carrier for InterLATA toll, or the same carrier for both. This ITP is referred to as the end user preferred IntraLATA toll provider.

Each carrier will have one or more access codes assigned to it for various types of service. When an end user selects a carrier as its preferred IntraLATA toll provider, only one access code of that carrier may be incorporated into the switching system of the Company permitting access to that carrier by the end user without dialing an access code. Should the same end user wish to use other services of the same carrier, it will be necessary for the end user to dial the necessary access code(s) to reach that carrier's other service(s)

An ITP must use Feature Group D ("FGD") Switched Access Service to qualify as an IntraLATA toll provider. All ITPs must submit a Letter of Intent ("LOI") to the Company at least twenty days prior to the IntraLATA toll-presubscription-conversion date or, if later, forty-five days prior to the date on which the carrier proposed to begin participating in IntraLATA toll presubscription.

Selection of an ITP by an end user is subject to the terms and conditions in Section 5.2.

SECTION 5. INTRALATA TOLL PRESUBSCRIPTION (Cont'd)

5.2 Presubscription Charge Application

5.2.1 Initial Free Presubscription Choice for New Users

New end users (including an existing customer who orders an additional line) who subscribe to service will be asked to select a primary ITP when they place an order for Company Exchange Service. If a customer cannot decide upon an IntraLATA toll carrier at the time, the customer will have thirty days following completion of the service request to make an IntraLATA PIC choice without charge. In the interim, the customer will be assigned a "No-PIC" and will have to dial an access code to make IntraLATA toll calls The free selection period available to new end users is the period within thirty days of installation of the new service.

Initial free selections available to new end user are:

1. Designating an ITP as their primary carrier, thereby requiring no access code to access that ITP's service. Other carriers are accessed by dialing 101-XXXX or other required codes.
2. Choosing no carrier as a primary carrier, thus requiring 101-XXXX code dialing to access all ITPs. This choice can be made by directly contacting the Company.

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SECTION 5. <u>INTRALATA TOLL PRESUBSCRIPTION</u> (Cont'd)

5.2 Presubscription Charge Application (Cont'd)

5.2.2 Cancellation of IntraLATA Toll Presubscription by an ITP

If an ITP elects to discontinue Feature Group D service after implementation of the IntraLATA toll presubscription option, the ITP is obligated to contact, in writing, all end users who have selected the canceling ITP as their preferred IntraLATA toll provider. The ITP must inform the end users that it is canceling its Feature Group D service, request that the end user select a new ITP and state that the canceling ITP will pay the PIC change charge. The ITP must provide written notification to COMPANY that this activity has taken place.

SECTION 5. INTRALATA TOLL PRESUBSCRIPTION (Cont'd)

5.3 End User/Pay Telephone Service Provider Charge Discrepancy ("Anti-Slamming Measure")

5.3.1 When a discrepancy is determined regarding an end user's designation of a preferred IntraLATA toll carrier, the following applies depending upon the situation described:

A signed letter of authorization takes precedence over any order other than subsequent, direct customer contact with the Company.

When two or more orders are received for an end user line generated by telemarketing, the date field on the mechanized record used to transmit PIC change information will be used as the PIC authorization date. The order with the latest application date determines customer choice.

5.3.2 Verification of Orders for Telemarketing

No ITP shall submit to the Company a PIC change order generated by outbound telemarketing unless, and until, the order has first been conformed in accordance with the following procedures:

5.3.2.1 The ITP has obtained the customer's written authorization to submit the order that explains what occurs when a PIC is changed and confirms:

5.3.2.1.A The customer's billing name and address and each telephone number to be covered by the PIC change order;

5.3.2.1.B The decision to change the PIC to the ITP; and

5.3.2 1.C The customer's understanding of the PIC change fee; or

SECTION 5. INTRALATA TOLL PRESUBSCRIPTION (Cont'd)

5.3 End User/Pay Telephone Service Provider Charge Discrepancy ("Anti-Slamming Measure") (Cont'd)

5.3.2.2 The ITP has obtained the customer's electronic authorization, placed from the telephone number(s) on which the PIC is to be changed, to submit the order that confirms the information described in 5.3.2.1 preceding to confirm the authorization; or

5.3.2.3 An appropriately qualified and independent third party operating in a location physically separate from the outbound telemarketing representative has obtained the customer's oral authorization to submit the PIC change order that confirms and includes appropriate verification date (e g., the customer's date of birth or social security number).

5.3.3 The Company will follow the Federal Communications Commission's and the Commission's regulations regarding slamming. The Company will not impose a penalty or charge for unauthorized IntraLATA toll provider changes.

5.3.4 The customer owns the exclusive right to select the PIC of their choice, and may choose to migrate from one carrier to another at any time. There is no reason a carrier may refuse to release a customer who has stated their intent to select a different carrier.

Billing Questions
Hours M-F, 7.30am - 5 30pm PST
Phone· 1-877-626-4325
Fax (209) 926-4140
Email· billing@pacwest.com
Mail· PO Box 8219
Stockton, CA 95208-0219

Account	
Bill Statement ID	1417853
Bill Date	August 01, 2005
Bill Period	Jul 01, 2005 to Jul 31, 2005
Page	1 of 11

BILL SUMMARY

Balance Forward
Credits

Outstanding Balance

Current Charges
NDS Charges
Taxes and Surcharges

Total Current Charges

Balance Due

PAYMENT INFORMATION

Payments may be made by check, certified funds, or credit card. To make a payment by check or certified funds, please remit with the detachable bill stub below To make a payment using Visa, MasterCard, or American Express, please contact our Customer Relations department at 1-877-626-4325, M-F, 7:30am - 5:30pm PST.

IMPORTANT MESSAGE

Thank you for your business and the trust and confidence you have placed in Pac-West to manage your communications network.

FCC Requires VoIP Providers to Deliver E911 Service
The 120-day compliance clock requiring VoIP providers to deliver E911 begins August 1, 2005, with compliance required by November 28th.* Pac-West's VoiceSource provides a complete solution for fixed-line E911 services, including delivering 911 calls directly to emergency operators and updating end-user call back telephone number and location information in E911 telephone databases. Call 1-800-959-4513 today to get your business E911 compliant.
*Subject to approval by the Office of Management and Budget (OMB)

Pac-West Expands SuperPOP Network into Utah
To address demand from our service provider customers looking to grow their business in additional states, we have expanded our Western U.S. footprint into Utah Call 1-800-959-4513 today for a list of Pac-West services now available in this market.

Expand Your Coverage
Looking for additional rate center coverage? Call your Pac-West Account Manager today at 1-800-959-4513 for more information

Thank You For Choosing Pac-West Telecomm, Inc.

Please detach and return with your payment

Billing Questions
Hours M-F, 7·30am - 5 30pm PST
Phone. 1-877-626-4325
Fax (209) 926-4140
Email· billing@pacwest com

Account	Due Date	Amount Due
	08/25/05	
	Amount Paid	

ATTN: BILLING DEPT CREDIT
4210 CORONADO AVENUE
STOCKTON CA 95204

PAC-WEST TELECOMM, INC.
PO BOX 8219
STOCKTON, CA 95208-0219

CONSUMER INFORMATION

This bill is now due and payable, it becomes subject to a late payment charge if not paid within 22 calendar days of the due date, which is the date of mailing as shown by the postmark on the billing envelope, or such later date as shown on the bill itself, after which a 1.5% per month late payment charge will be applied Should you question this bill, please request an explanation from the company.

In addition to the billing requirements above, each bill shall include the following statement in clear, readable type.

If you have a complaint you cannot resolve with us, write the California Public Utilities Commission at Consumer Affairs Branch, 505 Van Ness Ave., San Francisco, CA 94102, or at www.cpuc.ca.gov, or call 1-800-649-7570 or TDD 1-800-229-6846.

If your complaint concerns interstate or international calling, write the FCC at Consumer Complaints, 445 12th Street SW, Washington, D.C. 20554, or at fccinfo@fcc gov, or call 1-888-225-5322, or TTY 1-888-835-5322

Note The CPUC handles complaints of both interstate and intrastate unauthorized carrier changes ("slamming") The California consumer protection rules are available online at www.cpuc.ca.gov

Pac-West's Tariffs and Price Lists are available on our web site at www pacwest.com. You may also request a copy of our Price Lists at no charge by calling 1-800-399-3389

Billing Questions
Hours M-F, 7:30am - 5:30pm PST
Phone. 1-877-826-4325
Fax. (209) 926-4140
Email: billing@pacwest.com
Mail. PO Box 8219
Stockton, CA 95208-0219

Account
Bill Statement ID
Bill Date August 01, 2005
Bill Period Jul 01, 2005 to Jul 31, 2005

ACCOUNT SUMMARY

Account	Description	Amount	Total
	- STARLINE TEST CUSTOMER		
	Credits		
	Credit Amount		
	Current Charges		
	Taxes and Surcharges		
	Total for		
	- VOICESOURCE - SKTN		
	Current Charges		
	NDS Charges		
	Taxes and Surcharges		
	Total for		
	TOTAL		

Billing Questions
Hours. M-F, 7 30am - 5:30pm PST
Phone 1-877-826-4325
Fax (209) 926-4140
Email billing@pacwest.com
Mail PO Box 8219
Stockton, CA 95208-0219

Account
Bill Statement ID
Bill Date August 01 2005
Bill Period Jul 01, 2005 to Jul 31, 2005

ACCOUNT TAXATION SUMMARY

Account	Description	Total
	- VOICESOURCE - SKTN Tax Summary	
	Government Fees and Taxes	
	Relay Service and Communications Devices Fund @ 0 3%	
	Federal Excise Tax @ 3%	
	Local Tax - STOCKTON @ 7%	
	Universal Lifeline Surcharge - CA @ 1 5%	
	High Cost Fund Surcharge - Fund B - CA @ 2 4%	
	Teleconnect Fund - CA @ 0 16%	
	State Regulatory Fee - CA @ 0 11%	
	911 Tax - CA @ 0 65%	
	High Cost Fund Surcharge - Fund A - CA @ 0 15%	
	Total Tax Charges for	
	Tax Total	

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Stockton, CA 95208-0219

Account	
Bill Statement ID	
Bill Date	August 01 2005
Bill Period	Jul 01, 2005 to Jul 31, 2005
Page	5 of 11

CREDITS

Credit Number **Date**
07/12/2005

Description	Amount
Total Credit Amount	
Sales Tax	
Total for Credit	

Billing Questions
Hours, M-F, 7 30am - 5 30pm PST
Phone 1-877-626-4325
Fax (209) 926-4140
Email billing@pacwest.com
Mail PO Box 8219
Stockton CA 95208-0219

Account	
Bill Statement ID	
Bill Date	August 01 2005
Bill Period	Jul 01, 2005 to Jul 31 2005
Page	6 of 11

CREDITS

Credit Number **Date**
07/31/2005

Description	Amount
Total Credit Amount	
Sales Tax	
Total for Credit	

Billing Questions
Hours M-F, 7 30am - 5 30pm PST
Phone: 1-877-626-4325
Fax: (209) 926-4140
Email: billing@pacwest.com
Mail: PO Box 8219
Stockton, CA 95208-0219

NDS CHARGES

NDS Charges Summary For 1000144907

NDS Charges Pre-Tax Sub Total
NDS Charges Government Fees and Taxes
- State Regulatory Fee - CA @ 0 11%
- High Cost Fund Surcharge - Fund B - CA @ 2.4%
- Teleconnect Fund - CA @ 0 16%
- Universal Lifeline Surcharge - CA @ 1 5%
- Relay Service and Communications Devices Fund @ 0 3%
- High Cost Fund Surcharge - Fund A - CA @ 0 15%
- Federal Excise Tax @ 3%
- 911 Tax - CA @ 0 65%
- Local Tax - STOCKTON @ 7%

Total NDS Charges For 1000144907

LNP LSR Transactions

LNP LSR Transactions	PWOC	Description	Qty	Rate	Amount
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	1		
- -	NDSLSRADMIN	LNP Administration Charge per	2		
- -	NDSLSRADMIN	LNP Administration Charge per	2		
		Total Charges			

Pilot Number Charges

Pilot Numbers Activated	PWOC	Description	Qty	Rate	Amount
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
	NDSPNADMIN	Pilot Number Administration Ch	1		
		Total Charges			

Pilot Numbers In Service	PWOC	Description	Qty	Rate	Amount
	NDSPNMAINT	Pilot Number Maintenance Charg	1		

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Phone 1-877-626-4325
Fax: (209) 926-4140
Email: billing@pacwest com
Mail PO Box 8219
Stockton, CA 95208-0219

NDS CHARGES

NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
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NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
NDSPNMAINT	Pilot Number Maintenance Charg	1
	Total Charges	

LNPd Telephone Number Charges

PWOC	Description	Qty	Rate	Amount
NDSLNPNUMMAINT	Pilot Number Maintenance Charg	64		
	Total Charges			

Miscellaneous Order Charges

Expedite Fee	PWOC	Description	Qty	Rate	Amount
- -	NDSEXPEDITE	Expedite Charge - per Pilot Nu	1		
- -	NDSEXPEDITE	Expedite Charge - per Pilot Nu	1		
		Total Charges			

Supplemental Order	PWOC	Description	Qty	Rate	Amount
	NDSSUPPORDER	Supplemental Order Charge - pe	1		
	NDSSUPPORDER	Supplemental Order Charge - pe	1		

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Mail PO Box 8219
Stockton, CA 95208-0219

NDS CHARGES

Supplemental Order	PWOC	Description	Qty	Rate	Amount
	NDSSUPPORDER	Supplemental Order Charge - pe	1		
	NDSSUPPORDER	Supplemental Order Charge - pe	1		
	NDSSUPPORDER	Supplemental Order Charge - pe	1		
		Total Charges			

Total Charges for

Billing Questions
Hours M-F, 7 30am - 5 30pm PST
Phone 1-877-626-4325
Fax (209) 926-4140
Email billing@pacwest.com
Mail PO Box 8219
Stockton, CA 95208-0219

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Billing Questions
Hours M-F, 7.30am - 5 30pm PST
Phone 1-877-828-4325
Fax: (209) 926-4140
Email. billing@pacwest com
Mail PO Box 8219
Stockton, CA 95208-0219

Account	
Bill Statement ID	
Bill Date	August 01, 2005
Bill Period	Jul 01, 2005 to Jul 31, 2005
Page	11 of 11

BILL LEGEND

Tax Description

Federal Excise Tax -
This is a three percent tax mandated by the federal government. It is imposed on all telecommunications services, including local, long distance and wireless bills

Local Tax -
This charge is imposed by local and municipal governments on telecommunications services.

Universal Lifeline Surcharge -
This fee provides discounted basic residential telephone services to low-income households and operates a competitively neutral marketing program.

High Cost Fund Surcharge - Fund B -
This fee provides subsidies to carriers of last resort for providing basic local telephone service to residential customers in high-cost areas that are currently served by SBC (Pacific Bell), Verizon California, Citizens Telecommunications of California, and Roseville Telephone Company The purpose of the subsidies is to keep basic telephone service affordable and to meet the Commission's universal service goal.

Teleconnect Fund -
This charge is mandated by the Public Utilities Commission to compensate the local phone company for part of the cost of providing local telephone lines to schools, hospitals, libraries, etc , with state services, i e , intrastate long distance and local exchange services

911 Tax -
This charge is imposed by local governments to help pay for emergency services such as fire and rescue

High Cost Fund Surcharge - Fund A -
This fee provides a source of supplemental revenues to 17 small local exchange carriers for the purpose of minimizing any rate disparity of basic telephone services between rural and metropolitan areas.

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2005

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 000-27743

PAC-WEST TELECOMM, INC.
(Exact name of registrant as specified in its charter)

California	**68-0383568**
(State or other jurisdiction of incorporation or organization)	(I R S Employer Identification No)
1776 W. March Lane, Suite 250 **Stockton, California** (Address of principal executive offices)	**95207** (Zip Code)

(209) 926-3300
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes [ ] No [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes [ ] No [X]

As of October 31, 2005, the Company had an aggregate of 37,142,236 shares of common stock issued and outstanding

PAC-WEST TELECOMM, INC
Report on Form 10-Q for the Quarterly Period Ended September 30, 2005

Table of Contents

PART I

ITEM 1. FINANCIAL STATEMENTS

PAC-WEST TELECOMM, INC
Condensed Consolidated Balance Sheets
(Dollars in thousands except share and per share data)

	September 30, 2005	December 31, 2004
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16,952	$ 32,265
Short-term investments	7,005	10,501
Trade accounts receivable, net of allowances of $166 and $366 at September 30, 2005 and December 31, 2004, respectively	8,519	12,277
Receivable from transition service agreement	2,181	-
Prepaid expenses and other current assets	4,874	5,813
Total current assets	39,531	60,856
Property and equipment, net	36,769	43,413
Other assets, net	1,145	2,783
Total assets	$ 77,445	$ 107,052
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 6,401	$ 5,684
Current obligations under notes payable and capital leases	3,468	2,889
Accrued interest	812	2,208
Other accrued liabilities	7,819	13,291
Total current liabilities	18,500	24,072
Senior Notes	36,102	36,102
Notes payable and capital leases, less current portion	3,271	28,936
Other liabilities, net	155	353
Total liabilities	58,028	89,463
Commitments and Contingencies (Note 8)		
Stockholders' Equity		
Preferred stock, no par value, 600,000 shares authorized, none issued and outstanding	-	-
Common stock, $ 001 par value, 100,000,000 shares authorized, 37,141,986 and 36,792,426 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively	37	37
Additional paid-in capital	191,275	204,540
Accumulated deficit	(171,411)	(186,309)
Accumulated other comprehensive loss	(63)	(114)
Deferred stock compensation	(421)	(565)
Total stockholders' equity	19,417	17,589
Total liabilities and stockholders' equity	$ 77,445	$ 107,052

See notes to unaudited condensed consolidated financial statements

PAC-WEST TELECOMM, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Unaudited, in thousands except per share data)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
Revenues	$ 22,383	$ 31,652	$ 72,383	$ 88,912
Costs and Expenses				
Network expenses (exclusive of depreciation shown separately below)	9,628	8,535	29,901	30,175
Selling, general and administrative	13,006	14,454	40,127	42,984
Reimbursed transition expenses	(4,470)	-	(7,318)	-
Depreciation and amortization	3,365	7,760	10,349	24,975
Restructuring charges	24	124	630	503
Total operating expenses	21,553	30,873	73,689	98,637
Income (loss) from operations	830	779	(1,306)	(9,725)
Interest expense, net	1,091	3,073	5,198	8,852
Other expense, net	216	833	154	817
Gain on sale of enterprise customer base	(267)	-	(24,132)	-
Loss on extinguishment of debt	-	-	2,138	-
(Loss) income before income taxes	(210)	(3,127)	15,336	(19,394)
Income tax (benefit) expense	(84)	-	438	3
Net (loss) income	$ (126)	$ (3,127)	$ 14,898	$ (19,397)
Basic income (loss) per share	$ (0 00)	$ (0 09)	$ 0 40	$ (0 53)
Diluted income (loss) per share	$ (0 00)	$ (0 09)	$ 0 38	$ (0 53)
Weighted Average Shares Outstanding				
Basic	37,132	36,618	36,958	36,686
Diluted	37,132	36,618	38,718	36,686
Comprehensive (Loss) Income				
Net (loss) income	$ (126)	$ (3,127)	$ 14,898	$ (19,397)
Unrealized gains (losses) on investments	31	40	51	(80)
Comprehensive (loss) income	$ (95)	$ (3,087)	$ 14,949	$ (19,477)

See notes to unaudited condensed consolidated financial statements

PAC-WEST TELECOMM, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2005	**2004**
Operating activities		
Net income (loss)	$ 14,898	$ (19,397)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	10,349	24,975
Amortization of deferred financing costs	255	521
Amortization of discount on notes payable	1,262	3,990
Amortization of deferred stock compensation	144	149
Loss on extinguishment of debt	2,138	-
Gain on sale of enterprise customer base	(24,132)	-
Provision for doubtful accounts	172	39
Net loss on disposal of property	187	817
Changes in operating assets and liabilities		
Decrease (increase) in accounts receivable	964	(1,024)
Increase in receivable from transition service agreement	(2,181)	-
Decrease in prepaid expenses and other current assets	2,507	843
Decrease in other assets	307	345
Increase (decrease) in accounts payable	417	(1,134)
Decrease in accrued interest	(1,116)	(763)
Decrease in income tax payable	(6)	-
Decrease in other current liabilities and other liabilities	(1,197)	(3,565)
Net cash provided by operating activities	4,968	5,796
Investing activities		
Purchase of property and equipment	(6,434)	(5,935)
Proceeds from disposal of property and equipment	99	147
Redemptions (purchase) of short-term investments, net	3,547	(13,057)
Business acquisitions	-	(587)
Proceeds from sale of enterprise customer base	26,953	-
Returned deposits/other associated with the enterprise customer base sale	(3,536)	-
Other	200	-
Net cash provided by (used) in investing activities	20,829	(19,432)
Financing activities		
Repayments of notes payable	(42,766)	(642)
Proceeds from the issuance of common stock	225	64
Principal payments on capital leases	(518)	(2,467)
Net proceeds from borrowing under notes payable	1,949	3,322
Payments for deferred financing costs	-	(246)
Net cash provided by (used) in financing activities	(41,110)	31
Net decrease in cash and cash equivalents	(15,313)	(13,605)
Cash and cash equivalents		
Beginning of period	32,265	34,657
End of period	$ 16,952	$ 21,052
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	$ 5,572	$ 5,378
Income taxes	$ 495	$ -

See notes to unaudited condensed consolidated financial statements

PAC-WEST TELECOMM, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2005

The terms "the Company," "Pac-West," "we," "our," "us," and similar terms used in this Form 10-Q, refer to Pac-West Telecomm, Inc

1 Organization and Basis of Presentation

The Company is an independent provider of integrated communication solutions that enable communication providers to use the Pac-West network and its services as an alternative to building and maintaining their own network to meet their end-users needs The Company's customers currently include Internet service providers (ISP), enhanced communication service providers (ESPs) and other direct providers of communication services to business or residential end-users, collectively referred to as service providers (SPs) On March 11, 2005, the Company sold substantially all of its enterprise customer base to U S TelePacific Corp (TelePacific) while retaining the Company's associated network assets

These accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted for interim financial information in the United States of America pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (US GAAP) for complete financial statements In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation for the periods indicated, have been included Operating results for the nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005 The condensed consolidated balance sheet at December 31, 2004 has been derived from the audited consolidated balance sheet at that date, but does not include all of the information and notes required by US GAAP for complete financial statements These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto of the Company as of and for the year ended December 31, 2004, included in the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2005

Based on criteria established by Statement of Financial Accounting Standards No 131 (SFAS 131), "Disclosures about Segments of an Enterprise and Related Information," the Company has determined that it has one reportable operating segment While the Company monitors the revenue streams of our various services, the revenue streams share almost all of the various operating expenses As a result the Company has determined that it has one reportable operating segment

These unaudited condensed consolidated financial statements include the results of operations of the Company and its subsidiaries All intercompany accounts and transactions have been eliminated Certain prior period amounts have been reclassified to conform to current period presentations

2. Sale of Substantially All of the Enterprise Customer Base:

On March 11, 2005, the Company sold substantially all of its enterprise customer base to TelePacific while retaining the Company's associated network assets, impacting approximately 150 employees Under the terms of this transaction, TelePacific acquired certain assets, such as property and equipment with a net book value of approximately $3 0 million and other assets of approximately $0 6 million, and assumed certain liabilities of approximately $0 7 million, in exchange for $26 9 million in cash As a result, the Company recorded a gain of $24 0 million from this sale during the first quarter of 2005 Subsequent to the first quarter of 2005, the Company recorded a net gain of $0 1 million for adjustments associated with this sale and an amendment to the Asset Purchase Agreement (APA) as discussed below

In addition on March 11, 2005, the Company entered into a Transition Service Agreement (TSA) with TelePacific that, among other things, obligates it to provide certain transition services to TelePacific at its estimated cost for a one-year period subject to extension for two additional three-month periods The estimated costs to be reimbursed to the Company include network related and administrative support services which are provided exclusively to TelePacific According to the TSA, TelePacific received a $2 0 million credit against the total amount to be billed that occurred during the second quarter of 2005 During the third quarter of 2005, the Company and TelePacific entered into an amendment to resolve certain disputed matters arising out of the APA and to amend and modify the TSA The TSA amendment included, among other things, a credit to TelePacific of up to $0 5 million during the fourth quarter of 2005 against future estimated costs to be reimbursed to the Company, and the elimination of a cap of $10 5 million for certain types of network related services for which TelePacific is obligated to reimburse the Company during the initial 12 month transition period

For the three and nine months ended September 30, 2005, the Company recorded reimbursed transition expenses of $4 5 million and $7 3 million, respectively, in accordance with the TSA The amounts are recorded as a reduction to costs and expenses on a separate line item in the condensed consolidated statements of operations Costs billed under the TSA are based upon estimated costs to the Company, and the Company anticipates that no profit will be recognized on the services performed under the TSA The enterprise services are provided by the same network assets and maintained and operated by the same employee base as other services provided by the Company until TelePacific can transition the enterprise customer base onto its own network As such, the Company's common network services or expenses cannot be segregated based upon the services provided and therefore the estimated costs have primarily been billed based upon a fixed fee per type of service or transaction Due to the inseparability of the Company's network, the absence of identifiable shared costs, and as no network assets were sold to TelePacific, the Company determined the assets sold did not constitute discontinued operations

As of September 30, 2005, the Company had receivables of approximately $2 2 million related to the TSA and approximately $1 4 million related to the sale of substantially all of the enterprise customers to TelePacific The receivable from TelePacific related to the enterprise customers is included in prepaid expenses and other current assets in the condensed consolidated balance sheet

3. Stock Based Compensation:

The Company follows Accounting Principles Board Opinion No 25, "Accounting for Stock Issued to Employees" for its stock based compensation plans The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No 123, "Accounting for Stock-Based Compensation," to disclose pro forma information regarding options granted to its employees based on specified valuation techniques that produce estimated compensation charges If compensation expense for our stock-based compensation plans had been determined in accordance with the fair value as prescribed in SFAS No 123, the Company's net (loss) income per share would have been as follows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(Dollars in thousands except per share amounts)			
Net (loss) income as reported	$ (126)	$ (3,127)	$ 14,898	$ (19,397)
Total stock-based employee compensation included in reported net (loss) income, net of tax	48	54	140	149
Total stock-based employee compensation determined under the fair value based method, net of tax	(168)	(176)	(442)	(1,310)
Pro forma	$ (246)	$ (3,249)	$ 14,596	$ (20,558)
Basic net income (loss) per common share				
As reported	$ (0 00)	$ (0 09)	$ 0 40	$ (0 53)
Pro forma	$ (0 01)	$ (0 09)	$ 0 39	$ (0 56)
Diluted net income (loss) per common share				
As reported	$ (0 00)	$ (0 09)	$ 0 38	$ (0 53)
Pro forma	$ (0 01)	$ (0 09)	$ 0 38	$ (0 56)

For the quarter ended September 30, 2005, potential common stock was antidilutive, as it decreased the net loss per share Accordingly, 1,181,326 shares were excluded from the diluted net loss per share calculation for the quarter ended September 30, 2005 For the three and nine month periods ended September 30, 2004, potential common stock was antidilutive, as it decreased the net loss per share Accordingly, 972,853 and 1,600,640 shares were excluded from the diluted net loss per share calculation for the three and nine months ended September 30, 2004, respectively

The Company uses the Black-Scholes option-pricing model to derive the theoretical fair value of employee stock option grants The fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions in the periods ended September 30, 2005 and 2004, respectively

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Risk-free interest rate	3 93%	3 26%	3 84%	3 06%
Expected volatility	106%	110%	106%	112%
Expected dividend yield	-	-	-	-
Expected life	4 years	4 years	4 years	4 years
Fair value of options granted	$ 0 64	$ 0 65	$ 0 90	$ 1 10

4. Concentration of Customers and Suppliers

For the three and nine months ended September 30, 2005 and 2004, the Company had the following concentrations of revenues and operation costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Largest customers Percentage of total revenues				
Customer 1	25 2%	32 8%	23 8%	23 3%
Customer 2	14 3%	14 8%	17 4%	17 3%
Largest supplier Percentage of network expenses	60 2%	50 3%	45 9%	40 1%

During each of the comparison periods, no other customer accounted for more than 10% of total revenues Customer 1 represented 19% of trade accounts receivable as of September 30, 2005 and 12% of trade accounts receivable at December 31, 2004 No other customer represented more than 10% of trade accounts receivable The Company's largest source of operating costs was from one incumbent local exchange carrier (ILEC) for each of the comparison periods

5. Restructuring Charges

2001 and 2002 Restructuring Plans

A summary of the activity for the nine months ended September 30, 2005 pertaining to the Company's 2001 and 2002 restructuring plans, which is included in other accrued liabilities in the accompanying condensed consolidated balance sheets as of September 30, 2005 and December 31, 2004, consist of the following

	Restructuring Liability as of Dec. 31, 2004	Additional Restructuring Expense Incurred	Cash Payments	Restructuring Liability as of September 30, 2005
		(Dollars in thousands)		
Rent expense for vacated premises	$ 2,464	$ 46	$ (476)	$ 2,034

The amount of the reserve for vacated premises is equal to the monthly lease payment of the unoccupied space, less any estimated sublease income, multiplied by the remaining months on the lease In regards to the Colorado facility, no sublease income was estimated due to the specialized nature of the facility During the nine months ended September 30, 2005, the Company recorded additional restructuring charges of approximately $46,000 due to increased common area operating expenses at the Colorado facility The final cash payment to be recorded against the restructuring reserve is currently expected to occur in March 2010

2005 Restructuring Plan

The Company has recorded restructuring charges in connection with the completion of the sale of substantially all of its enterprise customer base to TelePacific on March 11, 2005, primarily consisting of employee separation costs Of the approximately 150 employees affected by the sale to TelePacific, an estimated 80 employees have been or will be involuntarily terminated As of September 30, 2005, approximately 70 employees had been involuntarily terminated The final cash payment to be recorded against the 2005 restructuring reserve is expected to occur in March 2006 However, should TelePacific exercise its option to extend the term of the TSA, the Company may incur additional employee termination benefit costs and the timing of the Company's final cash payments under the 2005 restructuring plan would also be extended

The costs incurred in connection with the restructuring plan are comprised of benefits to employees who were or will be involuntarily terminated and costs related to rent expense for vacated premises These costs are included in restructuring charges in the accompanying condensed consolidated statements of operations and comprehensive income (loss) During the nine months ended September 30, 2005, costs incurred for employee termination benefits for approximately 85 employees amounted to $540,000 and costs incurred for vacated premises totaled $44,000 During the third quarter of 2005, the Company recorded additional costs incurred for employee termination benefits of $13,000 and additional costs incurred for vacated premises of approximately $11,000

The Company anticipates total cash payments for employee termination benefits, which is contingent upon the actual termination date of the remaining employees, and rent expense for vacated premises, which ended in October 2005, to be approximately $549,000 and $52,000, respectively However, should TelePacific exercise its option to extend the term of the TSA, the Company may incur additional employee termination benefit costs

A summary of the restructuring expenses and the associated liability pertaining to the Company's 2005 restructuring plan, which is included in other accrued liabilities in the accompanying condensed consolidated balance sheet as of September 30, 2005, consist of the following

	Restructuring Liability as of Dec 31, 2004	Additional Restructuring Expense Incurred	Cash Payments	Restructuring Liability as of September 30, 2005
	(Dollars in thousands)			
One-time employee termination benefits	$ -	$ 540	$ (475)	$ 65
Rent expense for vacated premises	-	44	(44)	-
	$ -	$ 584	$ (519)	$ 65

6 Income Taxes·

The Company's effective income tax rate for the quarters ended September 30, 2005 and 2004 was 40 0% and 0 0%, respectively, and was 2 9% and 0 0%, for the nine months ended September 30, 2005 and 2004, respectively The Company anticipates using its available tax net operating losses to offset the majority of any income tax owed on the gain from the sale of substantially all of its enterprise customer base to TelePacific As of September 30, 2005, income taxes payable was $0 0 million

7. Other Comprehensive Income (Loss):

For the quarters ended September 30, 2005 and 2004, there was $31,000 and $40,000, respectively, of other comprehensive income pertaining to net unrealized investment gains (losses) on available-for-sale marketable securities For the nine months ended September 30, 2005 and 2004, there was $51,000 and $(80,000), respectively, of other comprehensive income (loss) pertaining to net unrealized investment gains (losses) on available-for-sale marketable securities

8. Commitments and Contingencies

From time to time, the Company is subject to audits with various tax authorities that arise during the normal course of business During the third quarter of 2005, the Company received two tax assessments arising from audits Subsequent to the third quarter of 2005, the Company filed appeals against both assessments The Company believes resolutions to various tax audits that the Company may be involved with in the normal course of business will not materially harm its business, financial condition or results of operations

There have been no material developments in the litigation previously reported in the Company's Annual Report on Form 10-K for the period ended December 31, 2004 as filed with the SEC on March 30, 2005 From time to time, the Company is a party to litigation that arises in the ordinary course of business The Company believes that the resolution of this litigation, and any other litigation the Company may be involved with in the ordinary course of business, will not materially harm its business, financial condition or results of operations

9. Related Party Transactions:

A significant stockholder of the Company, Bay Alarm, together with its subsidiary InReach Internet, LLC, is a customer of the Company As of March 11, 2005, Bay Alarm was included in the sale of substantially all of the enterprise customer base to TelePacific, however InReach Internet, LLC, remains a customer of the Company Bay Alarm continues to provide the Company with security monitoring services at its normal commercial rates The Company also leases a facility in Oakland, California from Bay Alarm Certain information concerning these arrangements with Bay Alarm are as follows

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004
	(Dollars in thousands)			
Revenues	$ 218	$ 419	$ 751	$ 1,176
Revenues as a percentage of total revenues	1 0%	1 3%	1 0%	1 3%
Security monitoring costs	$ 7	$ 8	$ 26	$ 26
Oakland property rent payments	$ 88	$ 87	$ 265	$ 273

At September 30, 2005 and December 31, 2004 the Company had no amounts receivable from Bay Alarm All expenses paid to Bay Alarm are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations

10. Debt and interest expense, net·

At September 30, 2005 and December 31, 2004, long-term debt and capital lease obligations consist of the following

	September 30, 2005	December 31, 2004
	(unaudited)	
	(Dollars in thousands)	
Senior Notes	$ 36,102	$ 36,102
Senior Secured Note, net of discount of $16,134	-	24,500
Capital lease obligations	765	1,285
Notes payable	5,974	6,040
Less current portion of notes payable and capital leases	(3,468)	(2,889)
	$ 39,373	$ 65,038

The Senior Notes of which there is $36 1 million in principal amount outstanding at September 30, 2005, mature on February 1, 2009 and bear interest at 13 5% per annum payable in semiannual installments, with all principal due in full on February 1, 2009

The Senior Secured Note, which was initially issued in the principal amount of $40 0 million, accrued interest at a rate of LIBOR plus 0 5%, and was to mature December 2006 On March 11, 2005, pursuant to the terms of a Payoff Letter, by and between the Company and Deutsche Bank AG — London (Deutsche Bank), the Company utilized $26 9 million of proceeds from the sale of substantially all of its enterprise customer base to TelePacific, as well as $13 8 million from cash on hand, to prepay in full the Senior Secured Note (including all outstanding principal and accrued and unpaid interest) In addition, pursuant to the terms of the Payoff Letter, the Company retired the related warrants to acquire up to 26,666,667 shares of the Company's common stock in connection with the Senior Secured Note, which decreased additional paid in capital by approximately $13 5 million The prepayment of the Senior Secured Note and the retirement of the related warrants resulted in a $2 1 million loss on the extinguishment of debt

During the second quarter of 2004, the Company entered into a secured financing arrangement with Merrill Lynch Capital, a division of Merrill Lynch Business Financial Services, Inc , pursuant to which the Company may borrow up to an aggregate amount of $10 0 million, subject to certain conditions This financing arrangement was structured in a manner that provides for multiple credit facilities up to an aggregate of $10 0 million with each facility having separate closing dates and repayment schedules Additional borrowing under this secured financing arrangement expired on December 31, 2004 The principal and accrued interest of each facility shall be payable in 36 equal monthly installments The Company has the option to prepay the outstanding facility after 18 months subject to a maximum premium of 3% of the outstanding facility Interest on each facility was fixed at 5% plus the 3-year swap rate, as published by Bloomberg Professional Services, determined two business days prior to the closing date of each facility During the second and third quarters of 2004, the Company had borrowed a total of approximately $5 4 million under the Merrill Lynch Capital financing arrangement under two credit facilities both with interest rates of 8 6% The Company used the proceeds of this financing arrangement to acquire new telecommunication switch and related equipment, which secure borrowings under this financing arrangement As of September 30, 2005, the principal balance was $3 3 million and is included under Notes payable in the above table

In May 2005, the Company entered into a secured borrowing arrangement with Merrill Lynch Capital pursuant to which the Company borrowed $1 9 million at a fixed rate of 8 6% The principal and accrued interest shall be payable in 36 consecutive monthly installments commencing July 1, 2005 The Company has the option to prepay the outstanding balance after 18 months but prior to 24 months subject to a premium of 3%, and if paid thereafter, accompanied by a premium of 1% The borrowing arrangement is secured by telecommunications switching and computer equipment As of September 30, 2005, the principal balance of $1 8 million is included under Notes payable in the above table

In May 2004, the Company completed financing agreements for various network equipment with Cisco Systems, Inc These financing agreements were comprised of $1 4 million of equipment capital leases and a $1 6 million note payable exchanged for a 36-month maintenance services agreement As of September 30, 2005, the principal of the capital lease was $0 8 million and is included under Capital lease obligations in the above table As of September 30, 2005, the balance of the note payable was $0 9 million and is included under Notes payable in the above table

Interest expense, net for the three and nine months ended September 30, 2005 and 2004 was as follows

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(Dollars in thousands)		(Dollars in thousands)	
Interest on Senior Notes	$ 1,218	$ 1,218	$ 3,655	$ 3,668
Accreted discount on Senior Secured Note	-	1,412	1,262	3,990
Amortization of deferred financing costs	50	182	255	521
Other interest expense	5	379	524	926
Less interest income	(182)	(118)	(498)	(253)
Interest expense, net	$ 1,091	$ 3,073	$ 5,198	$ 8,852

11. Recent Accounting Pronouncements:

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No 123R, "Share-Based Payment " Among other items, the standard requires the Company to recognize compensation cost for all share-based payments, in the Company's consolidated statements of operations Depending on the model used to calculate stock-based compensation expense in the future and other requirements of SFAS No 123R, the pro forma disclosure in Note 3 may not be indicative of the stock-based compensation expense that will be recognized in the Company's future financial statements On April 14, 2005, the Securities and Exchange Commission (SEC) amended Regulation S-X to allow SEC registrants to delay the implementation date of SFAS No 123R to the beginning of the first fiscal year after June 15, 2005 The Company plans to implement SFAS No 123R beginning with its first quarterly report after January 1, 2006 The Company is currently evaluating the new standard and models, which may be used to calculate future stock-based compensation expense

In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No 107, "Share-Based Payment," which provides the staff's views regarding the valuation of share-based payment arrangements for public companies

In May 2005, the FASB issued SFAS No 154, "Accounting Changes and Error Corrections " Among other changes, SFAS No 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so SFAS No 154 also provides that (1) a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement " This statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 The Company does not expect the adoption of SFAS No 154 to have a material impact on its financial position, results of operations, or cash flows

12 Preferred Stock Purchase Rights

On August 30, 2005, the Company created a series of 600,000 shares of preferred stock, without par value, designated as Series A Junior Participating Preferred Stock (the "Preferred Stock") and adopted a rights agreement (the "Rights Agreement") with Wachovia Bank, National Association, as rights agent Under the Rights Agreement, each common shareholder receives one right to purchase one one-hundredth of a share of the Preferred Stock for each share of common stock owned by the shareholder Holders of the Rights are entitled to purchase for $8 00 one one-hundredth of one share of the Company's Preferred Stock in certain limited circumstances involving acquisitions of, or offers for, 15 percent or more of the Company's common stock After any such acquisition is completed, each Right entitles its holder to purchase for $8 00 an amount of common stock of the Company, or in certain circumstances securities of the acquirer, having a then current market value of two times the exercise price of the Right In connection with the Rights Agreement, each one-hundredth of one share of the Preferred Stock will generally be afforded economic rights similar to one share of the Company's common stock Prior to the acquisition by a person or group of a 15% or more beneficial interest in the common stock, the Rights are redeemable for $0 0001 per Right, subject to adjustment The Rights will expire on August 30, 2015 unless they are earlier redeemed, exercised or exchanged by the Company

13. Subsequent Event

On November 9, 2005, the Company entered into a Loan and Security Agreement (Loan Agreement) with Comerica Bank (Bank), which provides for up to $5,000,000 of revolving advances and up to $15,000,000 of term loans

The Loan Agreement provides for the Bank to make revolving advances to the Company not to exceed the lesser of $5,000,000 or 80% of its eligible accounts receivable until November 9, 2007, at which time all revolving loans are immediately due and payable The Loan Agreement also provides for the Bank to make one or more term loans to the Company in two tranches, Tranche A and Tranche B, which shall be used to finance capital expenditures and acquisitions and/or to refinance the Senior Notes due in 2009 The term loans made pursuant to the Loan Agreement shall not exceed $15,000,000 in the aggregate, and shall also not exceed the following limitations (1) 100% of the invoice amount of capital expenditures on equipment approved by the Bank from time to time to be purchased by the Company, excluding software, taxes, shipping, warranty charges, freight discounts and installation expense (collectively, "Soft Costs"), (2) $4,500,000 toward the invoice amount of aggregate Soft Costs (in the case of (1) and (2), which the Company shall, in any case, have purchased or expended since June 1, 2005), (3) $5,000,000 toward the purchase of the Senior Notes, and (4) $5,000,000 in the aggregate at any time for strategic acquisitions Any such term loans made through June 9, 2006 may be made as Tranche A term loans After June 9, 2006, no further Tranche A term loans shall be made, and any such terms loans outstanding under Tranche A on June 9, 2006 shall be payable in thirty-one (31) equal monthly installments of principal, plus all accrued interest, beginning on July 1, 2006 until paid in full Term loans made from June 9, 2006 to January 9, 2007 shall be made as Tranche B term loans After January 9, 2007, no further Tranche B term loans shall be made, and any such term loans outstanding under Tranche B on January 9, 2007 shall be payable in twenty-four (24) equal monthly installments of principal, plus all accrued interest, beginning on February 1, 2007 until December 31, 2008, at which time all term loans shall be immediately due and payable

Rates for borrowing under the Loan Agreement are based, at the Company's election, on an interest rate tied to a Eurodollar rate or the Bank's prime rate With respect to Eurodollar loans, the rate is 2 75% above Eurodollar for revolving advances and 3 25% above Eurodollar for term loans With respect to prime rate loans, the rate is equal to the Bank's prime rate for revolving advances and 0 5% above the Bank's prime rate for term loans

The Loan Agreement is secured by substantially all of the Company's personal property The Loan Agreement contains usual and customary events of default for facilities of this nature and provides that upon the occurrence of an event of default, the Bank may, among other things, accelerate the payment of all amounts payable under the Loan Agreement and cease to advance money or extend credit Under the terms of the Loan Agreement, the Company is also required to maintain certain financial and restrictive covenants which limit, among other things, its ability to incur additional indebtedness, create liens, acquire, sell or dispose of certain assets, engage in certain mergers and acquisitions, pay dividends and make certain capital expenditures Borrowing under the Loan Agreement is subject to receipt of specified regulatory approvals and the satisfaction of other customary conditions

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information contained herein, this report contains forward-looking statements, subject to uncertainties and risks In this Quarterly Report on Form 10-Q, our use of the words "outlook," "expect," "anticipate," "estimate," "forecast," "project," "likely," "objective," "plan," "designed," "goal," "target," and similar expressions is intended to identify forward-looking statements While these statements represent our current judgment on what the future may hold, and we believe these judgments are reasonable, actual results may differ materially due to numerous important risk factors that are described in our Annual Report on Form 10-K for the period ended December 31, 2004, as filed with the SEC on March 30, 2005, which may be revised or supplemented in subsequent reports filed by us with the SEC Such risk factors include, but are not limited to our level of indebtedness, an inability to generate sufficient cash to service our indebtedness, regulatory and legal uncertainty with respect to intercarrier compensation payments received by us; the migration to broadband Internet access affecting dial-up Internet access, the loss of key executive officers could negatively impact our business prospects; an increase in our network expenses, migration of our enterprise customer base to U S TelePacific Corp. occurring sooner or later than contemplated, and our principal competitors for local services and potential additional competitors have advantages that may adversely affect our ability to compete with them.

Introduction

We are an independent provider of integrated communication solutions that enable communication providers to use our network and services as an alternative to building and maintaining their own network to meet their end-users needs Our customers currently include Internet service providers (ISP), enhanced communication service providers (ESPs) and other direct providers of communication services to business or residential end-users, collectively referred to as service providers (SPs)

We announced in October 2005 the first phase of a planned national expansion beginning in early 2006, to offer our full suite of voice over Internet protocol (VoIP) and Internet access enabling services in 36 major metropolitan markets, covering more than 50% of the U S population We are positioning ourselves as a key player in the SP space with a focus on expansion through enabling others to become voice service providers This planned expansion will provide a nationwide, single source platform that seamlessly bridges the public switched telephone network (PSTN) and the Internet targeted at VoIP providers, wireless broadband providers, ISPs, carriers and other Next Generation service providers We are in the business of enabling any company to become a custom phone company In addition, this planned expansion is anticipated to increase our market share of dial-up Internet services While we expect that the majority of dial-up Internet service will migrate to broadband over time, it is a large target market and we remain focused on serving the needs of our customers

We built and are expanding our facilities-based network to capitalize on the significant growth in Internet usage and in the related demand for local telephone service by SPs We believe the statewide footprint of our current network, which encompasses all of the major metropolitan areas of California, and the recent planned national expansion, provides us with a competitive advantage over incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs) Our ubiquitous network in California and our current networks and growth in Arizona, Nevada, Oregon, Utah and Washington enable SPs to provide their end-users with access to Internet, paging and other data and voice services, such as VoIP through a local call We believe the breadth of our product offerings, such as the expansion of our VoiceSource product during 2005, and the structure of our network enables us to generate high network utilization

In response to our evolving business model, which as described above, is focused on providing communication solutions to other communication providers, on March 11, 2005, we sold substantially all of our enterprise customer base to U S TelePacific Corp (TelePacific) while retaining our associated network assets, impacting approximately 150 employees Under the terms of this transaction, TelePacific acquired certain assets, such as property and equipment with a net book value of approximately $3 0 million and other assets of approximately $0 6 million, and assumed certain liabilities of approximately $0 7 million, in exchange for $26 9 million in cash As a result, we recorded a gain of $24 0 million from this sale during the first quarter of 2005 Subsequent to the first quarter of 2005, we recorded a net gain of $0 1 million for adjustments associated with this sale and an amendment to the Asset Purchase Agreement (APA) as discussed below

In addition on March 11, 2005, we entered into a Transition Service Agreement (TSA) with TelePacific that, among other things, obligates us to provide certain transition services to TelePacific at our estimated cost for a one-year period subject to extension for two additional three-month periods The estimated costs to be reimbursed to us include network related and administrative support services which are provided exclusively to TelePacific According to the TSA, TelePacific received a $2 0 million credit against the total amount to be billed that occurred during the second quarter of 2005 During the third quarter of 2005, we entered into an amendment with TelePacific to resolve certain disputed matters arising out of the APA and to amend and modify the TSA The TSA amendment included, among other things, a credit to TelePacific of up to $0 5 million during the fourth quarter of 2005 against future estimated costs to be reimbursed to us, and the elimination of a cap of $10 5 million for certain types of network related services for which TelePacific is obligated to reimburse us during the initial 12 month transition period

For the three and nine months ended September 30, 2005, the Company recorded reimbursed transition expenses of $4 5 million and $7 3 million, respectively, in accordance with the TSA These amounts are recorded as a reduction to costs and expenses on a separate line item in the condensed consolidated statements of operations and comprehensive income (loss) Costs billed under the TSA are based upon estimated costs to us, and we anticipate that no profit will be recognized on the services performed under the TSA The enterprise services are provided by the same network assets and maintained and operated by the same employee base as other services provided by us until TelePacific can transition the enterprise customer base onto its own network As such, our common network services or expenses cannot be segregated based upon the services provided and therefore the estimated costs have primarily been billed based upon a fixed fee per type of service or transaction Due to the inseparability of our network, the absence of identifiable shared costs, and as no network assets were sold to TelePacific, we determined the assets sold did not constitute discontinued operations

In connection with the completion of the sale of substantially all of our enterprise customer base to TelePacific on March 11, 2005, we recorded restructuring charges of approximately $384,000 during the quarter ended March 31, 2005 These charges primarily consist of employee separation costs for approximately 80 employees previously associated with the enterprise customer base who have been or will be involuntarily terminated, as well as rent expense for vacated premises As of September 30, 2005, approximately 70 employees had been involuntarily terminated Subsequent to the first quarter of 2005, additional costs of approximately $200,000 were incurred for employee termination benefits and costs incurred for vacated premises We anticipate that future cash requirements associated with the separation plan will be approximately $0 1 million, the timing of which is contingent upon the actual termination date of the remaining employees The final cash payment to be recorded against this reserve is expected to occur in March 2006 However, should TelePacific exercise its option to extend the term of the TSA, we may incur additional employee termination benefit costs and the timing of our final cash payments under the restructuring plan would be extended

The following table shows our financial performance for the three and nine months ended September 30, 2005 and 2004

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(Dollars in thousands)		(Dollars in thousands)	
Total revenue	$ 22,383	$ 31,652	$ 72,383	$ 88,912
Net (loss) income	$ (126)	$ (3,127)	$ 14,898	$ (19,397)
(Loss) income per share diluted	$ (0 00)	$ (0 09)	$ 0 38	$ (0 53)

We derive our revenues from monthly recurring charges, usage charges and amortization of initial non-recurring charges Since the sale of substantially all of the enterprise customer base on March 11, 2005, we provide services primarily to SP customers Monthly recurring charges include the fees paid by customers for lines in service and additional features on those lines, as well as equipment collocation services Usage charges consist of fees paid by end users for each call made, fees paid by our customers as intercarrier compensation for completion of their customers' calls through our network, and access charges paid by carriers for long distance traffic terminated on our network Initial non-recurring charges consist of fees paid by end users for the installation of our service These payments and related costs are recognized as revenue and expense ratably over the term of the service contracts, which is generally 24 to 36 months We recognize revenue when there is persuasive evidence of an arrangement, delivery of the product or performance of the service has occurred, the selling price is fixed or determinable and collectability is reasonably assured

We have carrier customers who pay us to terminate their originating call traffic on our network These payments consist of meet point access charges, third party transit traffic and intercarrier compensation payments, collectively referred to as intercarrier compensation Intercarrier compensation payments are a function of the number of calls we terminate, the minutes of use associated with such calls and the rates at which we are compensated by the carriers originating the calls Intercarrier compensation payments have historically been a significant portion of our revenues but the intercarrier payments are not currently a targeted customer Intercarrier compensation payments accounted for approximately 39 6% and 28 8% of our total revenues for the nine months ended September 30, 2005 and 2004, respectively Although the rate at which we believe we will be compensated by the carriers in 2005 is expected to be consistent with 2004, the sale of our enterprise customer base to TelePacific may affect the percentage of total revenues represented by intercarrier compensation in 2005 The failure, for any reason, of one or more carriers from which we ordinarily receive intercarrier compensation payments to make all or a significant portion of such payments would adversely affect our financial results

Our right to receive intercarrier compensation payments from other carriers, as well as the right of CLECs and other competitors to receive such payments is the subject of numerous regulatory and legal challenges For example, in 2003, Verizon and SBC adopted the Federal Communications Commission's, or FCC's, Intercarrier ISP Compensation Order The FCC ISP order introduced a series of declining intercarrier compensation pricing tiers for minutes of use, at rates starting below the rates previously negotiated in our interconnection agreements (ICAs) with both carriers The lowest pricing tier specified by the FCC ISP order was reached on June 15, 2003 and will remain in effect until such time that a replacement FCC ISP order may become effective Additionally, the FCC ISP order introduced artificial annual growth limits on compensable minutes of use subject to intercarrier compensation based on the composition and balance of traffic between carriers The FCC ceased enforcing the growth cap in October 2004

On October 20, 2004, we filed a formal complaint with the California Public Utilities Commission ("CPUC") against AT&T In the complaint proceeding, we alleged that AT&T owed us over $7 0 million for traffic terminated by us on behalf of AT&T, plus late payment fees On September 19, 2005, the presiding hearing officer released a decision granting our complaint in all regards, except for our claim for late payment fees On October 19, 2005, AT&T filed an appeal with the CPUC, claiming the decision was in error We filed a simultaneous appeal with the CPUC, asking for approval of late payment fees The CPUC has not established a schedule for resolving the appeals, affecting the timing, and potentially the collectability of these amounts

As technology continues to evolve with the corresponding development of new products and services, there is no guarantee we will retain our customers with our existing product and service offerings or with any new products or services we may develop in the future Traditional dial-up access to the Internet, although a mature technology, remains a large target market for us Major segments of this market may experience migration to broadband access technologies where available and competitively priced While we remain focused on serving the needs of our customers who provide dial-up access to their end-users, with the evolution of new technologies many new Internet protocol (IP) applications are now available, such as VoIP, which have presented us with new product development and sales opportunities We are developing and overlaying new products and services that take advantage of these new technologies to further increase the utilization of our network and expect our planned national expansion will present additional sales opportunities

Competition in the communication services market has resulted in the consolidation of companies in our industry, a trend we expect to continue In order to grow our business and better serve our customers, we continue to consider new business strategies, such as our planned national expansion, and including, but not limited to, potential acquisitions, partnerships, or new business services We believe that the statewide footprint of our network, which encompasses all of the major metropolitan areas of California, and our planned expansion, provides us with a significant competitive advantage that will enable us to successfully compete in the future, but we cannot guarantee that we will be able to sustain continued growth

Application of Critical Accounting Policies

Critical Accounting Policies The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses for the reporting period We consider the following accounting policies to be critical policies due to the estimation processes involved in each

- revenue recognition,
- provision for doubtful accounts receivable,
- estimated settlement of disputed billings,
- impairment of long-lived assets, and
- warrant valuation

By their nature, these judgments are subject to an inherent degree of uncertainty Thus, actual results could differ from estimates made and these differences could be material

Revenue Recognition We recognize revenue when

- there is pervasive evidence of an arrangement,
- delivery of the product or performance of the service has occurred,
- the selling price is fixed and determined, and
- collectibility is reasonably assured

Non-refundable up-front payments received for installation services and related costs are recognized as revenue and expense ratably over the term of the service contracts, generally 24 to 36 months

Revenues from service access agreements are recognized as the service is provided, except for intercarrier compensation fees paid by our intercarrier customers for completion of their customers' calls through our network, and access charges paid by carriers for long distance traffic terminated on our network Our right to receive this type of compensation is the subject of numerous regulatory and legal challenges Until all issues affecting a given item of revenue are resolved, we will continue to recognize intercarrier compensation as revenue when the price becomes fixed and determinable and collectibility is reasonably assured

Some ILECs with which we have interconnection agreements have withheld payments from amounts billed by us under their agreements The process of collection of intercarrier compensation can be complex and subject to interpretation of regulations and laws This can lead to the requirement for negotiated settlements between us and the ILEC where we agree to accept a portion of what we believe is owed to us These settlements generally reflect the mutual agreements of both parties that exist at the date of the settlement

Provision for doubtful accounts receivable Provisions for allowances for doubtful accounts receivable are estimated based upon

- historical collection experience,
- customer delinquencies and bankruptcies,
- information provided by our customers,
- observance of trends in the industry, and
- other current economic conditions

Accruals for disputed billings During the ordinary course of business, we may be billed for carrier traffic for which management believes we are not responsible In such instances, we may dispute with the appropriate vendor and withhold payment until the matter is resolved Our current disputes are primarily related to incorrect facility rates or incorrect billing elements we believe we are being charged Management regularly reviews and monitors all disputed items and, based on industry experience, records an accrual that represents what we estimate that we owe on the disputed billings Although we continue to actively try to expedite resolutions, often times the state Public Utilities Commission must become involved to arbitrate such agreements This process is often not timely and resolutions are often subject to appeal

Long-lived assets In 2002, we adopted Statement of Financial Accounting Standards (SFAS) No 144, "Accounting for the Impairment or Disposal of Long-Lived Assets " We evaluate our long-lived assets when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted cash flows expected to be generated by the asset When we consider an asset to be impaired, it is written down to its estimated fair market value This is assessed based on factors specific to the type of asset In assessing the recoverability of these assets, we make assumptions regarding, among other things, estimated future cash flows to determine the fair value of the respective assets If these estimates and the related assumptions change in the future, we may be required to record additional impairment charges for these assets

Warrant Valuation During the quarter ended March 31, 2005, we performed an internal evaluation of the warrants related to the Senior Secured Note We used the Black Scholes model to value the warrants at March 11, 2005 This valuation was used to record the value of the warrants related to the prepayment of the Senior Secured Note

Results of Operations

Quarter Ended September 30, 2005 Compared to the Quarter Ended September 30, 2004

Our significant revenue components and operational metrics for the quarters ended September 30, 2005 and 2004 are as follows

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	% Change
	(unaudited)	(unaudited)	
	(Dollars in millions)		
Revenues			
Intercarrier compensation	$ 10 8	$ 10 8	0 0%
Direct billings to SP customers	8 3	10 6	(21 7)%
Direct billings to enterprise customers	-	4 9	(100 0)%
Other	3 3	5 4	(38 9)%
Total revenues	$ 22 4	$ 31 7	(29 3)%
Operational metrics·			
Minutes of use (in billions)	12 2	11 3	8 0%

Consolidated revenues decreased 29 3% to $22 4 million in the quarter ended September 30, 2005 from $31 7 million during the same period in 2004 The decrease in revenue was primarily the result of a decrease of $4 9 million in direct billings to enterprise customers due to the sale of the enterprise customer base during the first quarter of 2005, in addition to lower direct billings to SP customers and other revenues

Intercarrier compensation remained constant at $10 8 million for both the quarter ended September 30, 2005 and the same period in 2004 Although total intercarrier revenues remained constant, 2004 revenues were reduced due to payments that were withheld resulting from an interpretation of a FCC ISP order that introduced artificial annual growth limits on compensable minutes of use subject to intercarrier compensation based on the composition and balance of traffic between carriers This was primarily offset by more revenues resulting from settlements received in 2004 than in 2005

Direct billings to SP customers decreased 21 7% to $8 3 million in the quarter ended September 30, 2005 from $10 6 million during the same period in 2004 primarily due to disconnections of lines

Direct billings to enterprise customers decreased $4 9 million to $0 in the quarter ended September 30, 2005 compared to the same period in 2004 due to the sale of substantially all of our enterprise customer base during the first quarter of 2005

Other revenues decreased 38 9% to $3 3 million in the quarter ended September 30, 2005 from $5 4 million during the same period in 2004 The decline is principally due to a decrease in outbound local and long distance revenues primarily due to a decrease in minutes of use resulting from the sale of substantially all of our enterprise customer base As a result of this sale we expect these revenues to continue to decrease in future periods

Minutes of use increased 8 0% to 12 2 billion in the quarter ended September 30, 2005 compared to 11 3 billion during the same period in 2004 primarily due to an increase in minutes of use from intercarriers

The significant costs and expenses for the quarters ended September 30, 2005 and 2004 are as follows

	Three Months Ended September 30, 2005	2004	% Change
	(unaudited)	(unaudited)	
	(Dollars in millions)		
Costs and expenses:			
Network expenses (exclusive of depreciation shown separately below)	$ 9 6	$ 8 5	12 9 %
Selling, general and administrative	13 0	14 5	(10 3) %
Reimbursed transition expenses	(4 5)	-	-
Depreciation and amortization	3 4	7 8	(56 4) %
Restructuring charges	-	0 1	(100 0) %
Total costs and expenses	$ 21 5	$ 30 9	(30 4) %

Consolidated network expenses increased 12 9% to $9 6 million in the quarter ended September 30, 2005 compared to $8 5 million during the same period in 2004 primarily due to more negotiated supplier credits in 2004 than in 2005

Consolidated selling, general and administrative expenses decreased 10 3% to $13 0 million in the quarter ended September 30, 2005 from $14 5 million during the same period in 2004 The decrease was primarily due to the decrease in employees, primarily sales employees, as a result of the sale of the enterprise customer base during the first quarter of 2005

Reimbursed transition expenses were $4 5 million in the quarter ended September 30, 2005 and no such reimbursed expenses were recorded during the same period in 2004 The reimbursed transition expenses relate to network and administrative services provided to TelePacific in accordance with the TSA Costs billed under the TSA are based upon estimated costs to us, and we anticipate that no profit will be recognized on the services performed under the TSA The enterprise services are provided by the same network assets and maintained and operated by the same employee base as other services provided by us until TelePacific can transition the enterprise customer base onto its own network As such, our common network services or expenses cannot be segregated based upon the services provided and therefore the estimated costs have primarily been billed based upon a fixed fee per type of service or transaction Due to the inseparability of our network, the absence of identifiable shared costs, and as no network assets were sold to TelePacific, we determined the assets sold did not constitute discontinued operations

Estimates and assumptions are used in setting depreciable lives Assumptions are based on internal studies of use, industry data on average asset lives, recognition of technological advancements and understanding of business strategy Consolidated depreciation and amortization expense decreased 56 4% to $3 4 million in the quarter ended September 30, 2005 from $7 8 million during the same period in 2004 The decrease in depreciation and amortization expense was primarily due to recording a non-cash asset impairment charge of $54 6 million for our tangible assets during the fourth quarter of 2004 The impairment resulted in a new cost basis for these assets resulting in a reduction of gross property and equipment As a result, future depreciation expense is expected to be less for the affected assets than in prior years In addition, as part of the sale of substantially all of our enterprise customer base during the first quarter, we sold property and equipment with a net book value of approximately $3 0 million

There was $24,000 of restructuring charges recorded in the quarter ended September 30, 2005 as compared to $0 1 million during the same period in 2004 Restructuring charges for the quarter ended September 30, 2005 related primarily to the completion of the sale of substantially all of our enterprise customer base primarily for employee termination benefits and rent expense for vacated premises We anticipate that future cash requirements associated with the separation plan will be approximately $0 1 million, the timing of which is contingent upon the actual termination date of the remaining employees The final cash payment to be recorded against this reserve is expected to occur in March 2006 However, should TelePacific exercise its option to extend the term of the TSA, we may incur additional employee termination benefit costs and the timing of our final cash payments under the restructuring plan would be extended Restructuring charges were $0 1 million for the quarter ended September 30, 2004 These charges related to adjustments to estimated costs of previously announced restructuring plans, and did not represent new restructuring activities

Consolidated income from operations remained constant at $0 8 million for both the quarter ended September 30, 2005 and the same period in 2004 primarily due to the factors discussed in the preceding paragraphs

Consolidated interest expense, net decreased 64 5% to $1 1 million in the quarter ended September 30, 2005 from $3 1 million during the same period in 2004 primarily due to the termination of the discount accretion on the extinguishment of the senior secured note Interest expense, net is expected to decrease during the remainder of 2005 due to this extinguishment Our interest expense, net was as follows

	Three Months Ended September 30,	
	2005	2004
	(unaudited)	(unaudited)
	(Dollars in thousands)	
Interest on Senior Notes	$ 1,218	$ 1,218
Accreted discount on Senior Secured Note	-	1,412
Amortization of deferred financing costs	50	182
Other interest expense	5	379
Less interest income	(182)	(118)
Interest expense, net	$ 1,091	$ 3,073

For the quarters ended September 30, 2005 and 2004, our effective income tax rates were 40 0% and 0 0%, respectively

Consolidated net loss was $0 1 million in the quarter ended September 30, 2005 compared to a net loss of $3 1 million during the same period in 2004 primarily due to the factors discussed in the preceding paragraphs

Nine Months Ended September 30, 2005 Compared to the Nine Months Ended September 30, 2004

Our significant revenue components and operational metrics for the nine months ended September 30, 2005 and 2004 are as follows

	Nine Months Ended September 30,		
	2005	2004	% Change
	(unaudited)	(unaudited)	
	(Dollars in millions)		
Revenues			
Intercarrier compensation	$ 28 7	$ 25 6	12 1%
Direct billings to SP customers	28 1	32 1	(12 5)%
Direct billings to enterprise customers	4 8	14 5	(66 9)%
Other	10 8	16 7	(35 3)%
Total revenues	$ 72 4	$ 88 9	(18 6)%
Operational metrics:			
Minutes of use (in billions)	36 6	32 8	11 6%

Consolidated revenues decreased 18 6% to $72 4 million in the nine months ended September 30, 2005 from $88 9 million during the same period in 2004 The decrease in revenue was primarily the result of a decrease of $9 7 million in direct billings to enterprise customers in addition to lower direct billings to SP customers and other revenues

Intercarrier compensation increased 12 1% to $28 7 million in the nine months ended September 30, 2005 from $25 6 million during the same period in 2004 This increase was primarily related to increased minutes of use in 2005, and revenues in 2004 were reduced due to payments that were withheld resulting from an interpretation of a FCC ISP order that introduced artificial annual growth limits on compensable minutes of use subject to intercarrier compensation based on the composition and balance of traffic between carriers This increase was partially offset by more revenues resulting from settlements received in 2004 than in 2005

Direct billings to SP customers decreased 12 5% to $28 1 million in the nine months ended September 30, 2005 from $32 1 million during the same period in 2004 primarily due to disconnections of lines

Direct billings to enterprise customers decreased 66 9% to $4 8 million in the nine months ended September 30, 2005 from $14 5 million during the same period in 2004 due to the sale of substantially all of our enterprise customer base during the first quarter of 2005

Other revenues decreased 35 3% to $10 8 million in the nine months ended September 30, 2005 from $16 7 million during the same period in 2004 The decline is principally due to a decrease in outbound local and long distance revenues primarily due to a decrease in minutes of use resulting from the sale of substantially all of our enterprise customer base in the first quarter of 2005 As a result of this sale we expect these revenues to continue to decrease in future periods

Minutes of use increased 11 6% to 36 6 billion in the nine months ended September 30, 2005 compared to 32 8 billion during the same period in 2004 primarily due to an increase in minutes of use from intercarriers

The significant costs and expenses for the nine months ended September 30, 2005 and 2004 are as follows

	Nine Months Ended September 30,		
	2005	2004	% Change
	(unaudited)	(unaudited)	
	(Dollars in millions)		
Costs and expenses:			
Network expenses (exclusive of depreciation shown separately below)	$ 29 9	$ 30 2	(1 0) %
Selling, general and administrative	40 1	43 0	(6 7) %
Reimbursed transition expenses	(7 3)	-	-
Depreciation and amortization	10 3	24 9	(58 6) %
Restructuring charges	0 6	0 5	20 0 %
Total costs and expenses	$ 73 6	$ 98 6	(25 4) %

Consolidated network expenses decreased 1 0% to $29 9 million in the nine months ended September 30, 2005 from $30 2 million during the same period in 2004 primarily due to network efficiencies, partially offset by more negotiated supplier credits in 2004 than in 2005

Consolidated selling, general and administrative expenses decreased 6 7% to $40 1 million in the nine months ended September 30, 2005 from $43 0 million during the same period in 2004 The decrease was primarily due to the decrease in employees, primarily sales employees, as a result of the sale of the enterprise customer base during the first quarter of 2005

Reimbursed transition expenses were $7 3 million in the nine months ended September 30, 2005 and no such reimbursed expenses were recorded during the same period in 2004 The reimbursed transition expenses relate to network and administrative services provided to TelePacific in accordance with the TSA Costs billed under the TSA are based upon estimated costs to us, and we anticipate that no profit will be recognized on the services performed under the TSA The enterprise services are provided by the same network assets and maintained and operated by the same employee base as other services provided by us until TelePacific can transition the enterprise customer base onto its own network As such, our common network services or expenses cannot be segregated based upon the services provided and therefore the estimated costs have primarily been billed based upon a fixed fee per type of service or transaction Due to the inseparability of our network, the absence of identifiable shared costs, and as no network assets were sold to TelePacific, we determined the assets sold did not constitute discontinued operations

Estimates and assumptions are used in setting depreciable lives Assumptions are based on internal studies of use, industry data on average asset lives, recognition of technological advancements and understanding of business strategy Consolidated depreciation and amortization expense decreased 58 6% to $10 3 million in the nine months ended September 30, 2005 from $24 9 million during the same period in 2004 The decrease in depreciation and amortization expense was primarily due to recording a non-cash asset impairment charge of $54 6 million for our tangible assets during the fourth quarter of 2004 The impairment resulted in a new cost basis for these assets resulting in a reduction of gross property and equipment As a result, future depreciation expense is expected to be less for the affected assets than in prior years In addition, as part of the sale of substantially all of our enterprise customer base during the first quarter, we sold property and equipment with a net book value of approximately $3 0 million

Restructuring charges were $0 6 million in the nine months ended September 30, 2005 as compared to $0 5 million during the same period in 2004 Restructuring charges for the nine months ended September 30, 2005, related primarily to the completion of the sale of substantially all of our enterprise customer base primarily for employee termination benefits and rent expense for vacated premises We anticipate that future cash requirements associated with the separation plan will be approximately $0 1 million, the timing of which is contingent upon the actual termination date of the remaining employees The final cash payment to be recorded against this reserve is expected to occur in March 2006 However, should TelePacific exercise its option to extend the term of the TSA, we may incur additional employee termination benefit costs and the timing of our final cash payments under the restructuring plan would be extended Restructuring charges were $0 5 million for the nine months ended September 30, 2004 These charges related to adjustments to estimated costs of previously announced restructuring plans, and did not represent new restructuring activities

Consolidated loss from operations improved to $1 3 million in the nine months ended September 30, 2005 from $9 7 million during the same period in 2004 primarily due to the factors discussed in the preceding paragraphs

Consolidated interest expense, net decreased 41 3% to $5 2 million in the nine months ended September 30, 2005 from $8 9 million during the same period in 2004 due to the termination of the discount accretion on the extinguishment of the Senior Secured Note Interest expense, net is expected to decrease during the remainder of 2005 due to this extinguishment Our interest expense, net was as follows

	Nine Months Ended September 30,	
	2005	2004
	(unaudited)	(unaudited)
	(Dollars in thousands)	
Interest on Senior Notes	$ 3,655	$ 3,668
Accreted discount on Senior Secured Note	1,262	3,990
Amortization of deferred financing costs	255	521
Other interest expense	524	926
Less interest income	(498)	(253)
Interest expense, net	$ 5,198	$ 8,852

During the nine months ended September 30, 2005, we recorded a gain of $24 1 million from the sale of substantially all of our enterprise customer base that occurred during the first quarter of 2005

On March 11, 2005, pursuant to the terms of a Payoff Letter, by and between us and Deutsche Bank, we utilized $26 9 million of the proceeds from the sale of substantially all of our enterprise customer base to TelePacific, as well as $13 8 million cash on hand, to prepay in full the Senior Secured Note (including all outstanding principal and accrued and unpaid interest) In addition, pursuant to the terms of the Payoff Letter, we retired the related warrants to acquire up to 26,666,667 shares of our common stock in connection with the Senior Secured Note, which decreased additional paid in capital by approximately $13 5 million The prepayment of the Senior Secured Note and the retirement of the related warrants resulted in a $2 1 million loss on the extinguishment of debt

For the nine months ended September 30, 2005 and 2004, our effective income tax rate was 2 9% and 0%, respectively

Consolidated net income was $14 9 million in the nine months ended September 30, 2005 compared to a net loss of $19 4 million during the same period in 2004 primarily due to a $24 1 million gain related to the sale of the enterprise customer base in addition to the items noted in the preceding paragraphs

Quarterly Operatıng and Statıstical Data·

The followıng tables summarıze the unaudıted results of operatıons as a percentage of revenues for the three and nıne months ended September 30, 2005 and 2004 The followıng data should be read ın conjunctıon wıth the unaudıted condensed consolıdated financıal statements and notes thereto ıncluded elsewhere ın thıs report

	Three Months Ended September 30,		Nıne Months Ended September 30,	
	2005	2004	2005	2004
	(unaudıted)	(unaudıted)	(unaudıted)	(unaudıted)
Consolıdated Statements of Operatıons Data:				
Revenue	100 0%	100 0%	100 0%	100 0%
Network expenses (exclusıve of depreciatıon shown separately below)	43 0%	27 0%	41 3%	33 9%
Sellıng, general and admınıstratıve expenses	58 1%	45 7%	55 4%	48 3%
Reımbursed transıtıon expenses	(20 0)%	-%	(10 1)%	-%
Depreciatıon and amortızatıon expenses	15 0%	24 5%	14 3%	28 1%
Income (loss) from operatıons	3 7%	2 5%	(1 8)%	(10 9)%
Net ıncome (loss)	(0 6)%	(9 9)%	20 6%	(21 8)%

The followıng table sets forth unaudıted statıstıcal data for each of the specıfied quarters of 2005 and 2004 The operatıng and statıstıcal data for any quarter are not necessarıly ındıcatıve of results for any future perıod

	Three Months Ended				
	2005			2004	
	Sept 30,	June 30,	March 31,	Dec. 31,	Sept. 30,
	(unaudıted)	(unaudıted)	(unaudıted)	(unaudıted)	(unaudıted)
Ports equıpped	1,054,848	1,052,400	1,052,400	1,052,400	998,400
Quarterly mınutes of use switched (ın bıllıons)	12 2	12 2	12 2	11 9	11 3
Capıtal addıtıons (ın thousands)	$ 3,259	$ 1,575	$ 1,600	$ 1,205	$ 1,758
Employees	´273	248	250	373	392

Lıquıdıty and Capıtal Resources·

Sources and use of cash At September 30, 2005 cash and short term ınvestments decreased $18 8 mıllıon to $24 0 mıllıon from $42 8 mıllıon at December 31, 2004 The decrease was prımarıly due to the prepayment of the $40 0 mıllıon Senıor Secured Note (ıncludıng all outstandıng prıncıpal and accrued and unpaıd ınterest) wıth cash on hand and proceeds of $26 9 mıllıon from the sale of substantıally all of the enterprıse customer base to TelePacıfic

Net cash provıded by operatıng actıvıtıes was $5 0 mıllıon for the nıne months ended September 30, 2005 compared to $5 8 mıllıon ın the same perıod ın 2004 The decrease was prımarıly due to decreased revenues ın 2005 as compared to 2004 related to the sale of our enterprıse customer base durıng the first quarter of 2005 Lower network and sellıng and general admınıstratıve expenses for the perıod ended September 30, 2005 compared to the same perıod ın 2004 offset a portıon of thıs revenue decrease

Net cash provıded by ınvestıng actıvıtıes was $20 8 mıllıon for the nıne months ended September 30, 2005 compared to net cash used ın ınvestıng actıvıtıes of $19 4 mıllıon durıng the same perıod ın 2004 The net cash provıded by ınvestıng actıvıtıes durıng 2005 was prımarıly due to proceeds of $26 9 mıllıon from the sale of substantıally all of our enterprıse customer base to TelePacıfic durıng the first quarter of 2005 The net cash used ın ınvestıng actıvıtıes durıng 2004 was prımarıly due to purchases of short-term ınvestments

Net cash used ın financıng actıvıtıes was $41 1 mıllıon ın the nıne months ended September 30, 2005 compared to net cash provıded by of $31,000 for the same perıod ın 2004 The net cash used ın financıng actıvıtıes durıng 2005 was prımarıly due to the prepayment of the Senıor Secured Note wıth proceeds from the sale of the enterprıse customer base of $26 9 mıllıon and cash on hand of $13 8 mıllıon durıng the first quarter of 2005

Cash requirements The telecommunications service business is capital intensive Our operations have required the expenditure of substantial amounts of cash for the design, acquisition, construction and implementation of our network We continue to seek further ways to enhance our infrastructure in 2005 and beyond As a result of various capital projects and our business plan, as currently contemplated, we currently anticipate making capital expenditures, excluding acquisitions, of approximately $25 million for the next 12 months However the actual cost of capital expenditures will depend on a variety of factors Accordingly, our actual capital requirements may exceed, or fall below, the amount described above

We anticipate that future cash requirements associated with the separation plan due to the sale of substantially all of our enterprise customers will be approximately $0 1 million, the timing of which is contingent upon the actual termination date of the remaining employees The final cash payment to be recorded against this reserve is expected to occur in March 2006 However, should TelePacific exercise its option to extend the term of the TSA, we may incur additional employee termination benefit costs and the timing of our final cash payments under the restructuring plan would be extended

During the normal course of business, we may enter into agreements with some suppliers, which allow these suppliers to have equipment or inventory available for purchase based upon criteria as defined by us As of September 30, 2005, we did not have any material future purchase commitments to purchase equipment from any of our vendors

Debt outstanding At September 30, 2005 and December 31, 2004 long-term debt and capital lease obligations consist of the following

	September 30, 2005	December 31, 2004
	(unaudited)	
	(Dollars in thousands)	
Senior Notes	$ 36,102	$ 36,102
Senior Secured Note, net of discount of $16,134	-	24,500
Capital lease obligations	765	1,285
Notes payable	5,974	6,040
Less current portion of notes payable and capital leases	(3,468)	(2,889)
	$ 39,373	$ 65,038

The Senior Notes, of which there is $36 1 million in principal amount outstanding at September 30, 2005, bear interest at 13 5% per annum payable in semiannual installments, with all principal due in full on February 1, 2009

The Senior Secured Note, which was initially issued in the principal amount of $40 0 million, accrued interest at a rate of LIBOR plus 0 5%, and was to mature December 2006 On March 11, 2005, pursuant to the terms of the Payoff Letter by and between us and Deutsche Bank, we utilized $26 9 million of the proceeds from the sale of substantially all of our enterprise customer base to TelePacific as well as $13 8 million cash on hand, to prepay in full the Senior Secured Note (including all outstanding principal and accrued and unpaid interest) In addition, pursuant to the terms of the Payoff Letter, we retired the related warrants to acquire up to 26,666,667 shares of our common stock in connection with the Senior Secured Note, which decreased additional paid in capital by approximately $13 5 million The prepayment of the Senior Secured Note and the retirement of the related warrants resulted in a $2 1 million loss on the extinguishment of debt

In May 2005, we entered into a secured borrowing arrangement with Merrill Lynch Capital pursuant to which we borrowed $1 9 million at a fixed rate of 8 6% The principal and accrued interest are payable in 36 consecutive monthly installments which commenced July 1, 2005 We have the option to prepay the outstanding balance after 18 months but prior to 24 months subject to a premium of 3%, and if paid thereafter, accompanied by a premium of 1% The borrowing arrangement is secured by telecommunications switching and computer equipment As of September 30, 2005, the principal balance of $1 8 million is included under Notes payable in the above table

Recent borrowing arrangement On November 9, 2005, we entered into a Loan and Security Agreement (Loan Agreement) with Comerica Bank (Bank), which provides for up to $5,000,000 of revolving advances and up to $15,000,000 of term loans

The Loan Agreement provides for the Bank to make revolving advances to us not to exceed the lesser of $5,000,000 or 80% of our eligible accounts receivable until November 9, 2007, at which time all revolving loans are immediately due and payable The Loan Agreement also provides for the Bank to make one or more term loans to us in two tranches, Tranche A and Tranche B, which shall be used to finance capital expenditures and acquisitions and/or to refinance our Senior Notes due in 2009 The term loans made pursuant to the Loan Agreement shall not exceed $15,000,000 in the aggregate, and shall also not exceed the following limitations (1) 100% of the invoice amount of capital expenditures on equipment approved by the Bank from time to time to be purchased by us, excluding software, taxes, shipping, warranty charges, freight discounts and installation expense (collectively, "Soft Costs"), (2) $4,500,000 toward the invoice amount of aggregate Soft Costs (in the case of (1) and (2), which we shall, in any case, have purchased or expended since June 1, 2005), (3) $5,000,000 toward the purchase of the Senior Notes, and (4) $5,000,000 in the aggregate at any time for strategic acquisitions Any such term loans made through June 9, 2006 may be made as Tranche A term loans After June 9, 2006, no further Tranche A term loans shall be made, and any such terms loans outstanding under Tranche A on June 9, 2006 shall be payable in thirty-one (31) equal monthly installments of principal, plus all accrued interest, beginning on July 1, 2006 until paid in full Term loans made from June 9, 2006 to January 9, 2007 shall be made as Tranche B term loans After January 9, 2007, no further Tranche B term loans shall be made, and any such term loans outstanding under Tranche B on January 9, 2007 shall be payable in twenty-four (24) equal monthly installments of principal, plus all accrued interest, beginning on February 1, 2007 until December 31, 2008, at which time all term loans shall be immediately due and payable

Rates for borrowing under the Loan Agreement are based, at our election, on an interest rate tied to a Eurodollar rate or the Bank's prime rate With respect to Eurodollar loans, the rate is 2 75% above Eurodollar for revolving advances and 3 25% above Eurodollar for term loans With respect to prime rate loans, the rate is equal to the Bank's prime rate for revolving advances and 0 5% above the Bank's prime rate for term loans

The Loan Agreement is secured by substantially all of our personal property The Loan Agreement contains usual and customary events of default for facilities of this nature and provides that upon the occurrence of an event of default, the Bank may, among other things, accelerate the payment of all amounts payable under the Loan Agreement and cease to advance money or extend credit Under the terms of the Loan Agreement, we are also required to maintain certain financial and restrictive covenants which limit, among other things, our ability to incur additional indebtedness, create liens, acquire, sell or dispose of certain assets, engage in certain mergers and acquisitions, pay dividends and make certain capital expenditures Borrowing under the Loan Agreement is subject to receipt of specified regulatory approvals and the satisfaction of other customary conditions

Future uses and sources of cash Our principal sources of funds for the remainder of 2005 are anticipated to be current cash and short-term investment balances and cash flows from operating activities We believe that these funds and the recent Loan Agreement will provide us with sufficient liquidity and capital resources to fund our business plan for the next 12 months No assurance can be given, however, that this will be the case We may also seek to obtain leases or additional lines of credit to provide necessary funds There can be no assurance that additional lines of credit or leases will be made available to us on terms that we find acceptable As currently contemplated, we expect to fund, among other things

- interest payments of approximately $5 million on Senior Notes and other notes,
- anticipated capital expenditures of approximately $25 0 million, and
- other note payable and capital lease interest payments of approximately $0 5 million

The foregoing statements do not take into account (i) acquisitions, which, if made, are expected to be funded through a combination of cash and equity (ii) the repurchase of any of our remaining outstanding Senior Notes or (iii) any potential payments made in respect of adjustments which may arise from our ongoing tax audits Depending upon our rate of growth and profitability, among other things, we may require additional equity or debt financing to meet our working capital requirements or capital needs There can be no assurance that additional financing will be available when required, or, if available, will be on terms satisfactory to us Key factors which could affect our liquidity include

- future demand of our services,
- financial stability of our customers,
- outcomes of regulatory proceedings involving intercarrier compensation,
- capital expenditures,
- debt payments,
- capital lease repayments,
- loss of enterprise revenues due to the sale of our enterprise customer base,
- interest expense on debt, and
- development and market rollout of new service offerings

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The SEC's rule related to market risk disclosure requires that we describe and quantify our potential losses from market risk sensitive instruments attributable to reasonably possible market changes Market risk sensitive instruments include all financial or commodity instruments and other financial instruments that are sensitive to future changes in interest rates, currency exchange rates, commodity prices or other market factors We are not exposed to market risks from changes in foreign currency exchange rates or commodity prices We do not hold derivative financial instruments nor do we hold securities for trading or speculative purposes Since the payoff of our Senior Secured Note on March 11, 2005, our remaining debt carries fixed interest rates Therefore, we are not exposed to changes in interest rates associated with our debt as of September 30, 2005

We are exposed to changes in interest rates on our investments in cash equivalents and short-term investments Approximately one-third of our investments are in cash equivalents with original maturities of less than three months and the other two-thirds are in short-term investments with maturities of less than 12 months A hypothetical 1% decrease in short-term interest rates would reduce the annualized pretax interest income on our $24 0 million cash, cash equivalents and short-term investments at September 30, 2005 by approximately $0 2 million

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this Report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in accordance with Rule 13a-15 of the Exchange Act Based on that evaluation, the Chief Executive Officer and Chief Financial Officer, together with the other members of management participating in the evaluation, concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level

There have been no changes in the Company's internal control over financial reporting that occurred during the quarter ended September 30, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting It should be recognized that the design of any system of controls is based upon certain assumptions about the scope of the tasks to be performed and the environment in which the tasks are to be performed As such, the Company's internal controls provide the Company with a reasonable assurance of achieving their intended effect

PART II
OTHER INFORMATION

ITEM 1 Legal Proceedings

See Note 8 to the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Form 10-Q and "Management's Discussion and Analysis of Financial Condition and Results of Operations- Introduction" for a description of certain legal proceedings involving the Company

ITEM 6 Exhibits

Exhibits

10 80 Agreement and amendment dated October 6, 2005 to (i) Asset Purchase Agreement, made as of December 17, 2004, as amended and (ii) Transition Services Agreement, made December 17, 2004 (certain confidential portions have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment)

31 1 Certification by Henry R Carabelli, Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31 2 Certification by H Ravi Brar, Chief Financial Officer and Vice President of Human Resources pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 1 Certification by Henry R Carabelli, Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32 2 Certification by H Ravi Brar, Chief Financial Officer and Vice President of Human Resources pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Note: ITEMS 2, 3, 4 and 5 are not applicable and have been omitted

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on November 14, 2005

PAC-WEST TELECOMM, INC

/s/ Henry R Carabelli

Henry R Carabelli
President and Chief Executive Officer

/s/ H Ravi Brar

H Ravi Brar
Chief Financial Officer and Vice President of Human Resources