

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

April 19, 2006

IN RE:

PETITION OF PAC-WEST, TELECOMM, INC.
FOR APPROVAL OF INCURRING LONG-TERM
DEBT, ENCUMBRANCE OF ASSETS AND
FINANCING OBLIGATIONS

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DOCKET NO.
05-00336

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on January 23, 2006 for consideration of the *Petition* of Pac-West Telecomm, Inc. ("Pac-West" or "Petitioner") for approval to participate in certain debt and debt-related financing transactions pursuant to Tenn. Code Ann. § 65-4-109 (2004).

Petition

Pac-West is a California company that is, along with its subsidiaries, currently authorized to provide traditional and next-generation voice communications services in 24 states. The Authority authorized Pac-West to provide competing local telecommunications services and facilities-based and resold interexchange telecommunications services in Docket No. 05-00314 on January 10, 2006.

On December 14, 2005, the Petitioners requested Authority approval to incur long-term debt, encumber assets and enter into certain financing obligations. According to the *Petition*, proceeds from the transaction would be used for general working capital purposes, to finance

capital expenditures, and to repurchase certain convertible subordinate notes. The Petitioner seeks authority to issue long-term debt in the aggregate principal amount of up to \$20 million and to issue a security interest in all its regulated assets, including those in Tennessee. The *Petition* states the issuance of long term debt and the encumbrance of Pac-West's regulated assets will be in connection with a Term Loan Agreement ("Loan Agreement") entered into between Comerica Bank ("Comerica") and the Petitioner and its subsidiaries on November 9, 2005.

According to the Loan Agreement, the Petitioner may request and Comerica shall make one (1) or more term loans in an aggregate principal amount not to exceed \$15 million, and a Revolving Line and/or Credit Extension of up to \$5 million. The Term Loan Maturity Date is December 31, 2008, and the Revolving Maturity Date is November 9, 2007. Principal payments and accrued interest will be made in accordance with a prescribed schedule established for such borrowing. The Term Loan shall bear interest, on the outstanding daily balance thereof, as set forth in the Eurodollar Addendum to the Loan & Security Agreement.

The *Petition* states that the Loan Agreement is secured by substantially all of Pac-West's personal property, and contains usual and customary events of default for the facilities of this nature and provides that upon the occurrence of an event of default, Comerica may, among other things, accelerate the payment of all amounts payable under the Loan Agreement and cease to advance money or extend credit. According to the *Petition*, borrowing under the Loan Agreement is subject to receipt of specified regulatory approvals and the satisfaction of other customary conditions.

January 23, 2006 Authority Conference

Tenn. Code Ann. § 65-4-109 (2004) states:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon

being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

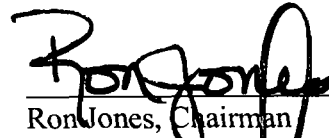
At a regularly scheduled Authority Conference held on January 23, 2006, the panel voted unanimously to approve the *Petition* and made the following findings:

1. The proposed transaction is subject to approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);
2. The proposed transaction will affect the assets of Pac-West Telecomm, Inc., an entity certificated to offer telecommunications services in Tennessee;
3. PacWest Telecomm, Inc. did not indicate that it is required to obtain approval from any federal agency but stated that it has sought approval in other states;
4. Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace which includes obtaining information on the financial transactions and fitness of certificated telecommunications carriers;
5. The burden of complying with Tenn. Code Ann. § 65-4-109 (2004) is minimal as such compliance should be perfunctory given the telecommunications industry's movement to a competitive environment;
6. The proposed transaction is being made in accordance with the laws enforceable by the Authority; and
7. The purpose of the transaction is in the public interest because based on the assertions of the petitioners, the transactions will strengthen its financial position, and provide important financial benefits to the Petitioner by improving and expanding the terms of credit under which the Petitioner and/or company operates.

IT IS THEREFORE ORDERED THAT:

1. PacWest Telecomm, Inc. is authorized to enter into the financing transaction as described in the *Petition* and discussed herein.

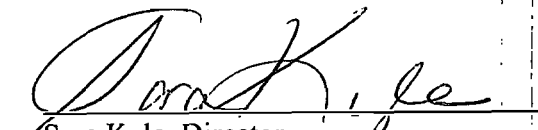
2. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser has been performed. Nothing contained herein creates or is intended to create any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



Ron Jones, Chairman



Pat Miller, Director



Sara Kyle, Director