

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

April 19, 2006

IN RE:

JOINT PETITION OF CLEARTEL COMMUNICATIONS,
INC., NOW COMMUNICATIONS, INC., AND IDS
TELECOM CORP. FOR APPROVAL OF A FINANCING
TRANSACTION

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DOCKET NO.
06-00013

ORDER APPROVING FINANCING TRANSACTION

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 March 20, 2006 for consideration of the *Petition* of Cleartel Communications, Inc. ("CCI"), NOW Communications, Inc. ("NCI"), and IDS Telecom Corp. ("IDS", collectively with CCI and NCI, the "Petitioners"), requesting approval from the Authority to participate in certain debt and debt-related financing arrangements pursuant to Tenn. Code Ann. § 65-4-109 (2004).

The Petition

CCI is a Delaware corporation with principal offices located in Delray Beach, Florida. CCI is a leading provider of voice and data solutions serving customers in the Northeast, Southeast, Southwest, and Midwestern United States. CCI, through its wholly owned subsidiaries, Cleartel Telecommunications, Inc., Cleartel Telecommunications of Virginia, NCI, Telecom Communications Corp., IDS, and NII Communications, Ltd., offers local, Internet, and long distance services to both residential and business users in 30 states.

NCI f/k/a NOW Acquisition Corp. is a Delaware corporation with principal offices located in Delray Beach, Florida. NCI is a wholly owned subsidiary of CCI. In Tennessee, NCI is authorized

to provide interexchange and local exchange telecommunications services pursuant to Authority Order in Docket No. 03-00455, issued on February 19, 2004. NCI is also authorized to provide facilities-based and/or resold interexchange and/or competitive local exchange telecommunications services in approximately 15 states, including Tennessee. NCI has approximately 400 customers in Tennessee.

IDS is a Delaware corporation with principal offices located in Delray Beach, Florida. IDS is a wholly owned subsidiary of CCI. In Tennessee, IDS is authorized to provide interexchange and local exchange telecommunications services pursuant to Authority Order in Docket No. 05-00048, issued on June 30, 2005. IDS is also authorized to provide facilities-based and/or resold interexchange and/or competitive local exchange telecommunications services in approximately eight states, including Tennessee. IDS has approximately 800 customers in Tennessee.

On January 17, 2006, the Petitioners filed the *Petition* with the Authority requesting approval to participate in certain debt and debt-related financing arrangements. The Petitioners seek authority to incur debt obligations of up to \$10 million and to pledge their assets to secure the credit facility. Specifically, the Petitioners, as co-borrowers, have entered into a Revolving Credit and Security Agreement (“Agreement”) with PNC Bank for a revolving loan in an amount of up to \$10 million. As part of the Agreement, the Petitioners have agreed to enter into an arrangement whereby Petitioners would grant a security interest in all of their tangible and other assets. The revolving loan has a maturity date of December 30, 2008. The Petitioners will use a portion of the proceeds to repay existing indebtedness as well as to increase operating capital.

The Petitioners assert that the participation in the proposed financing transaction will not result in a change in the Petitioners’ management or in their day-to-day operations in Tennessee; nor will it adversely effect the Petitioners’ current or proposed operations in Tennessee. In addition, the *Petition* states the financing transaction will be transparent to consumers, and will enable the

Petitioners to better utilize their available funds to bring their services to new markets and allow more consumers to benefit from their competitive services more quickly and efficiently.

March 20, 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 March 20, 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 entities certificated to offer telecommunications services in Tennessee;
3. The Petitioners have filed similar petitions in other states and asserted that federal approval of this transaction is not necessary;
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 access to greater financial resources will strengthen the Petitioners' competitive position and allow them to bring competitive services to Tennesseans.

IT IS THEREFORE ORDERED THAT:

1. Cleartel Communications, Inc., NOW Communications, Inc. and IDS Telecom Corp. are 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