BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

June 6, 2006

IN RE:	)	
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APPLICATION OF CTC COMMUNICATIONS GROUP, INC., CTC COMMUNICATIONS CORP. AND CHOICE ONE COMMUNICATIONS, INC. FOR APPROVAL OF A CHANGE OF OWNERSHIP OF AN AUTHORIZED TELECOMMUNICATIONS PROVIDER IN CONNECTION WITH A MERGER TRANSACTION; REQUEST FOR AUTHORITY TO PROVIDE SECURITY IN CONNECTION WITH NEW FINANCING	)	**DOCKET NO. 06-00058**

ORDER APPROVING TRANSFER OF AUTHORITY AND 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 April 17, 2006 for consideration of the *Application* of CTC Communications Group, Inc. ("CTC"), CTC Communications Corp. ("CTC Communications"), and Choice One Communications Inc. ("Choice One") ("collectively, the "Applicants"), requesting TRA approval to consummate a transfer of authority transaction pursuant to Tenn. Code Ann. § 65-4-113 (2004) and to enter into certain financing transactions pursuant to Tenn. Code Ann. § 65-4-109 (2004).

The *Application*

CTC is a Delaware corporation with headquarters located in Waltham, Massachusetts. CTC is a wholly-owned subsidiary of Columbia Ventures Broadband, LLC ("CVB"), a holding company, which is, in turn, a wholly-owned subsidiary of Columbia Ventures Corporation ("CVC"). CVC, a Washington state corporation, owns and operates a portfolio of telecommunications companies and a small number of manufacturing businesses around the world. CVC is authorized to provide domestic interstate and international telecommunications services pursuant to Section 214 authorization from the Federal Communications Commission ("FCC"), but neither CVC nor CVB provide telecommunications services.

CTC Communications, a Massachusetts corporation, is a subsidiary of CTC and is a privately held company that provides telecommunications services to medium and large businesses predominantly in the Northeast and Mid-Atlantic regions. Service offerings include local, long distance, and toll telephony services, post-paid calling card services, conference calling, frame relay, private line, DSL, VPN, ATM, Internet access, webmail and converged services. In Tennessee, CTC Communications has approximately five (5) customers, and the company was authorized to provide intrastate telecommunications by a Tennessee Public Service Commission Order dated September 12, 1995 in Docket No. 95-02520. CTC Communications is also authorized by the FCC to provide both interstate and international telecommunications services.

Choice One, a Delaware corporation with headquarters located in Rochester, New York, has several common carrier subsidiaries ("Choice One Subsidiaries") that provide communications and information services to small and medium-sized businesses predominantly in the Northeast and Midwest regions.

In the *Application* filed on February 23, 2006, the Applicants request Authority approval to consummate a proposed transfer of authority transaction that will occur as a result of an Agreement and Plan of Merger ("Merger Agreement") between the parties. The Applicants also seek approval of a proposed financing transaction to provide their guarantee, serve as co-borrowers, or otherwise provide security in connection with financing of up to $925 million being arranged for various affiliated companies, including, but not limited to, Surviving Corporation (collectively, the "Borrowers").

The *Application* states that pursuant to the terms of the Merger Agreement dated February 9, 2005, and following the receipt of necessary regulatory approvals, CTC will merge with Choice One (the Merger). The new name of the Surviving Corporation has yet to be determined (and thus is referred to as "Surviving Corporation"). After the Merger, CTC Communications will be a subsidiary of Surviving Corporation. In WC Docket No. 06-47, the Applicants currently have a Domestic Section 214 Application pending before the FCC regarding the transfer of authority.

According to the *Application,* after consummation of the Transaction, 50 percent of the outstanding capital stock of Surviving Corporation will be owned by CVB and the remaining 50 percent will be held by the stockholders of Choice One at the time of the closing. Some time following the closing, CVB may obtain up to an additional 20 percent of the voting stock, on a fully diluted basis, of Surviving Corporation. As a result, CVB may obtain majority control of Surviving Corporation. If CVB becomes the majority owner of Surviving Corporation, there will be no impact on the customers of CTC Communications. As such, the Applicants seek the Authority's consent for CVB to acquire and hold up to 70 percent of the voting stock of Surviving Corporation.

The Applicants maintain that the proposed transfer of authority transaction, including the possible acquisition of additional voting stock of Surviving Corporation by CVB, will be transparent to customers of CTC Communications. In particular, the Transaction will not result in a change of carrier for any CTC Communications' customers. The *Application* states that after the transaction is completed, CTC Communications will continue to offer the same services at the same rates, terms and conditions as at the present, and any further changes in the rates, terms and conditions of services will be made consistent with Authority requirements. In addition, the proposed transaction is not expected to result in any discontinuance of service for any customer of CTC Communications.

The Applicants state that in connection with the above-referenced Transaction, Borrowers propose to borrow up to $925 million through one or more financing arrangements with banks, other financial institutions, and/or other types of investors (the "Financing"). The exact amounts and terms and the financing, which may be completed in multiple tranches, will not be finalized until the specific arrangement(s) have been completed shortly before funding of the various transactions and will reflect the market conditions then existing. Some of the terms, such as interest rate, may fluctuate during the term of the loans due to changes in market conditions and the financial condition and/or performance of the Borrowers.

According to the *Application,* the lenders are expected to be a consortium of banks, financial institutions, private lending institutions, private individuals, and/or other institutions the composition of which may change over the life of the loan. However, other types of investors may be relied upon as well.

The maturity date, which is subject to negotiation, will depend on credit conditions, but is expected to be a range between three and ten years from the date of the initial borrowing. It is possible that some loans may be for a shorter or longer period. Principal payment will be made periodically in accordance with a prescribed schedule established for such borrowing.

As security for the financing transactions, the Applicants state that some and perhaps all of the loans to Borrowers are expected to be secured by a first ranking security interest in specified assets of CTC Communications, including a security interest in its stock, receivables, tangible personal property and equipment. In some cases, CTC Communications may provide a guarantee or serve as a co-borrower. The security documents will contain appropriate provisions indicating that the exercise of certain rights thereunder may be subject to obtaining prior regulatory approval.

Both the transfer of authority and the financing transaction serve the public interest of utility customers in Tennessee, who will benefit from the operation of an enhanced CTC Communications. The Applicants assert that the enhanced CTC Communications will be able to compete more effectively in the highly competitive telecommunications marketplace in Tennessee, and it will be able to operate more efficiently and realize the substantial financial synergies that should enable CTC Communications to increase its operating income and free cash flow. The Applicants maintain that the financing will provide CTC Communications with the financial resources needed to further grow and expand its business and to compete in today's highly competitive telecommunications environment. In addition, the transaction will not involve a change in the entity offering service to customers, the facilities used to provide such service, and the transaction will be transparent to Tennessee customers in terms of the rates, terms and conditions, and services they receive.

According to the *Application*, some of the proceeds from the financing transaction may be used to repay existing indebtedness, including indebtedness incurred by Choice One and CTC prior to the date of the transaction, for general corporate purposes, capital expenses, and working capital. Other proceeds may be used to fund the acquisition of other telecommunications companies and/or telecommunications assets.

The April 17, 2006 Authority Conference

The *Application* involves the transfer of ownership of an authorized telecommunications provider and a financing transaction whereby the Applicants propose to provide security in connection with new financing. Regarding the transfer of authority, Tenn. Code Ann. § 65-4-113 (2004) states:

> (a) No public utility, as defined by § 65-4-101, shall transfer all or any part of its authority to provide utility services, derived from its certificate of public convenience and necessity issued by the authority, to any individual, corporation or other entity without first obtaining the approval of the authority.
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> (b) Upon petition for approval of the transfer of authority to provide utility services, the authority shall take into consideration all relevant factors, including but not limited to, the suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be

> gained from the transfer. The authority shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.

Regarding the financing transaction, 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 April 17, 2006, the panel voted unanimously to approve the *Application* and made the following findings:

1. The transfer of authority will be transparent to CTC Communication Corp.' s customers, will not reduce the number of providers in the state, and is reviewable by the Authority pursuant to Tenn. Code Ann. § 65-4-1113 (2004);

2. The proposed financing transaction is subject to approval pursuant to Tenn. Code Ann. § 65-4-109 (2004);

3. The proposed transaction will affect the assets of CTC Communications Corp., a Tennessee entity;

4. The Applicants did not indicate that they are required to obtain approval from any federal agency but stated that they have sought approval in other states;

5. 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;

6. 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;

7. The proposed transaction is being made in accordance with the laws enforceable by the Authority;

8. The purpose of the transaction is in the public interest because based on the assertions of the Applicants, the transaction will enhance the operations of CTC Communications corp., allowing it to grow and compete more effectively; and

9. The FCC's streamlined Section 214 approval process is scheduled to conclude on April 27, 2006.

IT IS THEREFORE ORDERED THAT:

1. CTC Communications Group, Inc., CTC Communications Corp. and Choice One Communications Inc. are authorized to enter into the transfer of authority and financing transactions as described in the *Application* and discussed herein contingent on successful completion of the FCC's streamlined review process.

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