

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**January 29, 2007**

**IN RE:**

**PETITION OF COMTEL TELECOM ASSETS LP  
FOR APPROVAL OF DEBT ISSUANCE**

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**DOCKET NO.  
06-00172**

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**ORDER APPROVING FINANCING TRANSACTION**

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This matter came before Chairman Sara Kyle, Director Eddie Roberson and Director Pat Miller of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on August 23, 2006 for consideration of the *Petition of Comtel Telecom Assets LP for Approval of Debt Issuance* (“*Petition*”) filed pursuant to Tenn. Code Ann. § 65-4-109 (2004).

**The *Petition***

Comtel Telecom Assets LP (“Comtel” or “Petitioner”) is a company organized in Texas and maintains its principal place of business in Carrollton, Texas. On April 19, 2006, in Docket No. 05-00287, approval was granted for the transfer of authority of VarTec Telecom, Inc. (“VarTec”), Excel Telecommunications, Inc. (“Excel”), and VarTec Solutions, Inc. (“VarTec Solutions”) (referenced collectively as “VarTec Companies”) to Comtel, whereby Comtel acquired all the assets of the VarTec Companies and the necessary certification to provide local exchange and interexchange

telecommunications services within the state of Tennessee.<sup>1</sup> Comtel is authorized to conduct business and provide telecommunications services in all states and Washington, D.C. Comtel has more than one million customers nationwide with approximately 25,300 (23,000 interexchange and 2,300 local exchange) customers residing in Tennessee.

The *Petition* requests approval to issue evidence of indebtedness and for participation in a financing transaction whereby the Petitioner may incur debt in an amount up to \$30 million, secured by a pledge of the accounts receivables and assets of Comtel. The *Petition* further states that the Petitioner has entered into a revolving loan credit facility or arrangement with Wachovia Bank. Petitioner may borrow up to \$30 million under the facility or arrangement, which has a maturity date of three (3) years. Payments on the loan will consist of monthly principal and interest payments. The borrowings bear interest at the London Interbank Offered Rate ("LIBOR") plus 2.75%.

As security for the financing transaction, the *Petition* states that Comtel accounts receivable and the Comtel assets necessary to collect such accounts receivable would be used. In response to TRA Staff's Data Request filed on July 7, 2006, Comtel stated it has no tangible assets within Tennessee, and the only Tennessee-related assets pledged as security as part of this transaction would be the accounts receivable derived from Tennessee customers. The Petitioner asserts that the proposed financing transaction will not adversely affect Comtel's Tennessee customers and will not result in a change to

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<sup>1</sup> VarTec was initially granted authority to provide resold interexchange and operator services by the Tennessee Public Service Commission ("TPSC") in TPSC Docket No. 95-02796 and later received a Certificate of Public Convenience and Necessity ("CCN") to provide facilities-based and resold local exchange services in TRA Docket No. 01-00760. Excel was granted authorization to provide facilities-based and resold local exchange and operator services in TRA Docket No. 02-00382, and resold interexchange operator service in TPSC Docket No. 95-03337. VarTec Solutions was authorized to provide resold local exchange services in TRA Docket No. 96-00982 and resold interexchange and operator services in TPSC Docket No. 95-02455, both originally issued under the name Dial & Save.

customer rates, terms, or conditions of service. According to the *Petition*, funds made available through the financing will be used to fund working capital and distributions to Comtel partners. The *Petition* further states that the transaction will be transparent to customers and will not adversely affect current or proposed operations in Tennessee.

**August 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.

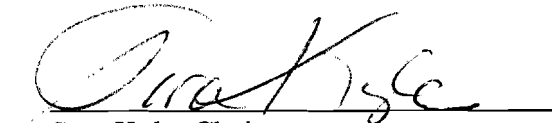
At a regularly scheduled Authority Conference held on August 23, 2006, the voting panel assigned to this docket voted unanimously to approve the *Petition* after making the following findings:


1. The financing transaction proposed by the parties is subject to approval by the Authority pursuant to Tenn. Code Ann. § 65-4-109 (2004) and is being made in accordance with the laws enforceable by the Authority;
2. The proposed transaction is in the public interest such that, but not limited to, the fact that it will allow Comtel to fund its working capital needs and continue providing and expanding its services offered to Tennessee customers;
3. The proposed transaction will not result in the change of any customer rate, term, or condition of service; and
4. The proposed transaction will be transparent to customers, and not adversely affect current or proposed operations in Tennessee.

**IT IS THEREFORE ORDERED THAT:**

1. Comtel Telecom Assets LP is authorized to enter into the financing transaction as described in the *Petition of Comtel Telecom Assets LP for Approval of Debt Issuance* 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.

  
Sara Kyle, Chairman

  
Eddie Roberson, Director

  
Pat Miller, Director