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August 7, 2006

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Chairman Ron Jones
Tennessee Regulatory Authority
c/o Sharla Dillon, Dockets and Record Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

06-00202

**Re: Joint Petition of Cleartel Communications, Inc., IDS Telecom Corp.,
and NOW Communications, Inc. for Approval of Certain Financing
Arrangements**

Dear Chairman Jones:

On behalf of Cleartel Communications, Inc., IDS Telecom Corp., and NOW
Communications, Inc., enclosed for filing are an original and thirteen (13) copies of the
above-referenced Petition. Also enclosed is a check in the amount of \$25.00 to cover the
filing fee.

Please date-stamp the enclosed extra copy of this filing and return it in envelope
provided. Should you have any questions concerning this filing, please do not hesitate to
contact me.

Respectfully submitted,

Brett P Ferenchak

Brett P. Ferenchak
Counsel

Enclosure

P.A. D

**BEFORE THE
TENNESSEE REGULATORY AUTHORITY**

In the Matter of the Joint Petition of)	
)	
)	
Cleartel Communications, Inc.,)	Docket No. _____
IDS Telecom Corp.)	
and)	
NOW Communications, Inc.)	
)	
for Approval of Certain Financing)	
Arrangements)	

PETITION

I. INTRODUCTION

Cleartel Communications, Inc. (“CCI”), IDS Telecom Corp. (“IDS”) and NOW Communications, Inc. (“NOW”) (CCI, IDS and NOW collectively, “Petitioners”), by their undersigned counsel and pursuant to Section 65-4-109 of the Tennessee Code, hereby request approval, to the extent necessary or required, from the Tennessee Regulatory Authority (“TRA”) to participate in certain financing arrangements described more fully in Section IV of this Petition. Specifically, Petitioners will act as co-borrowers and/or co-guarantors for new or restructured debt obligations of up to \$125 million. Petitioners will also pledge their assets (and the assets of CCI’s other subsidiaries) to secure those debt obligations. Petitioners respectfully request that the TRA grant expedited approval of the financing arrangements.

In support of this Petition, Petitioners state as follows:

II. DESCRIPTION OF PETITIONERS

A. Cleartel Communications, Inc. ("CCI")

Cleartel Communications, Inc. is a Delaware corporation with principal offices located at 2855 S. Congress Ave., Delray Beach, Florida 33455. Established in 1998, 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, CTI, Cleartel Telecommunications of Virginia, Inc., NOW Communications, Inc., Telecon Communications Corp., IDS Telecom Corp. and NII Communications, Ltd., offers local, Internet and long distance services to both residential and business users in 30 states. Additional information on CCI is available on the company's website at: <http://www.cleartel.com> and is incorporated herein by reference.

B. IDS Telecom Corp. ("IDS")

IDS is a Delaware corporation with principal offices located at 2855 S. Congress Ave., Delray Beach, FL 33455. IDS is a wholly owned subsidiary of CCI.

In Tennessee, IDS is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted in Docket No. 05-00048 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 7 other states. Further information concerning IDS' legal, technical, managerial and financial qualifications to provide service was submitted with its application for certification with the TRA and is, therefore, a matter of public record. IDS therefore respectfully requests that the TRA take official notice of that information and incorporate it herein by reference.

C. NOW Communications, Inc. ("NOW")

NOW Communications, Inc. f/k/a NOW Acquisition Corp. is a Delaware corporation with principal offices located at 2855 S. Congress Ave., Delray Beach, FL 33455. NOW is a wholly owned subsidiary of CCI.

In Tennessee, NOW is authorized to provide local exchange and interexchange telecommunications services pursuant to authority granted in Docket No. 03-00455 on February 19, 2004. NOW is also authorized to provide facilities-based and/or resold interexchange and/or competitive local exchange telecommunications services in approximately 13 other states and the District of Columbia. Further information concerning NOW's legal, technical, managerial and financial qualifications to provide service was submitted with its application for certification with the TRA and is, therefore, a matter of public record. NOW therefore respectfully requests that the TRA take official notice of that information and incorporate it herein by reference.

III. DESIGNATED CONTACTS

Inquiries or copies of any correspondence, orders, or other materials pertaining to this Petition should be directed to:

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and

Marshall Howard
Cleartel Communications, Inc.
2855 S. Congress Ave.
Delray Beach, FL 33445
Email: mhoward@cleartel.com

IV. REQUEST FOR APPROVAL OF FINANCING ARRANGEMENTS

As described more fully herein, Petitioners (Cleartel Communications, Inc. and its licensed subsidiaries) request TRA approval to act as co-borrowers and/or co-guarantors for new or restructured debt obligations of up to \$125 million. In addition, Petitioners request approval to pledge the assets of IDS and NOW (CCI's other subsidiaries operating outside of Tennessee will also pledge their assets) as security for those debt obligations.

Specifically, IDS and NOW request TRA approval, to the extent necessary, to act as co-borrowers and co-guarantors for a secured revolving credit facility of up to \$20 million. These funds will be used either to (1) restructure an existing \$10 million debt obligation to increase the amount up to \$20 million, or (2) replace the existing \$10 million with a new \$20 million debt obligation with a different lender. Under either scenario, IDS and NOW will pledge their assets (CCI's other subsidiaries operating outside of Tennessee will also pledge their assets) as security for such debt obligations. The secured revolving credit facility will have a final maturity date of three years from the closing date.

Petitioners also propose to replace existing credit facilities with MCG Capital Corporation ("MCG"). Specifically, Petitioners intend to enter into (a) a senior subordinated secured term loan of up to \$25 million, and (b) a junior secured term loan of up to \$60 million with MCG. Both term loans would have a maturity date of December 31, 2010, and could be extended for an additional two (2) years at MCG's option. As part of these financing arrangements, Petitioners also intend to grant a security interest in all of their tangible and other assets and in the assets of CCI's other subsidiaries.

IDS and NOW also request authority, to the extent necessary, to pledge their assets and/or provide a guaranty for (1) certain debts of their affiliates for which MCG has provided

credit enhancements (such as a guaranty) and (2) certain equipment and lease financing arrangements undertaken in the ordinary course of business. With regard to the MCG credit enhancements, the pledge of assets and/or guaranty would be for the benefit of MCG should MCG be required to perform under the credit enhancements. With regard to the ordinary course transactions, including equipment and lease financing, the pledge of assets and/or guaranty would be for the benefit of the creditor of the Cleartel affiliate entering into the transaction. Petitioners anticipate that in aggregate the guarantees and pledges would secure up to \$20 million in debt obligations.

Petitioners emphasize that participation in these financing arrangements will not result in a change in the Petitioners' ownership, management or in their day-to-day operations in Tennessee. In addition, the financing arrangements will enable Petitioners to better utilize their available funds, to introduce new services, expand into new markets, and to allow more consumers to benefit from competitive services more quickly and efficiently. Specifically, Petitioners intend to use the proceeds of the combined funding of up to \$125 million to provide working capital and for transactional costs associated with an asset acquisition. Accordingly, Petitioners respectfully request that the TRA approve, to the extent required, the Petitioners' financing arrangements described herein.

V. PUBLIC INTEREST CONSIDERATIONS

Approval of the proposed financing arrangements described herein will serve the public interest in promoting competition among telecommunications carriers by providing Petitioners with the opportunity to strengthen their competitive position through access to greater financial resources. Furthermore, by increasing the breadth and scope of telecommunications services made available through an increased ability to expand Petitioners' operations, greater access to

capital will also strengthen Petitioners' ability to bring competitive telecommunications services to consumers in the State of Tennessee. These financing arrangements will be transparent to consumers and consumers will benefit from the continued receipt of quality telecommunications services that are priced competitively.

VI. ADDITIONAL INFORMATION

CTI and its various operating subsidiary(ies) in each state have filed similar petitions in Georgia, Louisiana, New Jersey, New York, and West Virginia. CTI and its various operating subsidiary(ies) will also be filing in Connecticut, the District of Columbia, Indiana, Massachusetts, Pennsylvania, and Rhode Island. Petitioners have not applied for approval or notified any Federal agency and do not believe notice or approval is required from any Federal agency for the proposed financing arrangements.

CTI has no customers in Tennessee. IDS has approximately 390 customers in Tennessee. NOW has approximately 240 customers in Tennessee.

IDS and NOW will continue to operate and/or provide service under their current names and CCNs issued by the TRA and will continue to operate under their business licenses as filed with the Tennessee Secretary of State's Office.

VII. CONCLUSION

For the reasons stated above, Petitioners submit that the public interest, convenience and necessity will be furthered by expeditious TRA approval of the financing arrangements described herein.

Respectfully submitted,



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Counsel for Petitioners

Date: August 7, 2006

VERIFICATION

STATE OF FLORIDA

§

§

COUNTY OF PALM BEACH

§

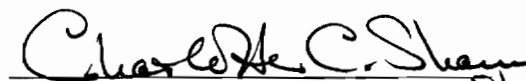

I, Kenneth Baritz, state that I am CEO/President of Cleartel Communications, Inc.; that I am authorized to make this Verification on behalf of Cleartel Communications, Inc.; that the foregoing filing was prepared under my direction and supervision; and that the statements in the foregoing document are true and correct to the best of my knowledge, information, and belief.


Name: Kenneth Baritz
Title: CEO/President
Cleartel Communications, Inc.

SWORN TO AND SUBSCRIBED before me on the 2nd day of August, 2006.



Charlotte C Shann
My Commission DD222400
Expires July 06, 2007


Notary Public 

My commission expires: _____