

TENNESSEE REGULATORY AUTHORITY



Sara Kyle, Chairman
Eddie Roberson, Director
Pat Miller, Director
Ron Jones, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

August 22, 2006

Ms. Catherine Wang, Counsel
Mr. Brett P. Ferencsak, Counsel
Bingham McCutchen LLP
3000 K Street, N.W., Suite 300
Washington, D.C. 20007

RE: Docket 06-00202: *Joint Petition of Cleartel Communications, Inc., IDS Telecom, Corp., and NOW Communications, Inc. for Approval of a Certain Financing Arrangements*

Dear Ms. Wang and Mr. Ferencsak:

In order to fully analyze the above-referenced petition, the Tennessee Regulatory Authority (TRA) requires additional information. Please provide the information requested below by August 29, 2006, and refer to this correspondence as Data Request No. 1 in the response.

1. On Page 4 of the *Joint Petition*, the Petitioners seek approval to act as co-borrowers and/or guarantors for a secured revolving credit facility of up to \$20 million, as well as approval to pledge their assets for such debt obligations. Provide documentation identifying the proposed lenders, banks, other financial institutions and/or other investors that will provide the proposed financing arrangements, including the Terms and Conditions of such arrangements. In addition, provide a list of specific Tennessee assets that will be used and/or pledged as security for the proposed financing arrangements.
2. Also on Page 4 of the *Joint Petition*, the Petitioners propose 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 Capital Corporation ("MCG"), with both term loans having a maturity date of December 31, 2010. Provide documentation containing the applicable interest rate(s) that will be used for the proposed financing. In addition, provide a list of specific Tennessee assets the Petitioners intend to pledge as security for the proposed financing arrangements.
3. On Page 5 of the *Joint Petition*, the Petitioners propose to pledge their assets and/or provide a guaranty for (1) certain debts of their affiliates for which MCG has provided credit enhancements and (2) certain equipment and lease

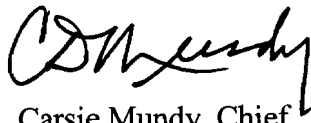
financing arrangements undertaken in the ordinary course of business. Provide a list of specific Tennessee assets that will be used and/or pledged as security or guaranty.

4. Also on Page 5 of the *Joint Petition*, it states that Petitioners intend to use the proceeds of the combined funding of up to \$125 million to provide working capital and for the transactional costs associated with an asset acquisition. Provide the TRA with information regarding the above-referenced asset acquisition.
5. Provide the most recent independently audited balance sheet and operating statement of revenues for Cleartel Communications, Inc.

If you have any questions, or need further assistance, please call Carlos Black at 615-741-2904, ext. 196 or email him at carlos.black@state.tn.us. Please respond by sending the original and 13 copies either by U.S. Mail or express mail. Alternatively, you may send the original and four (4) along with an electronic file of the original to:

Ms. Sharla Dillon, Docket Room Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Sincerely,



Carsie Mundy, Chief
Competitive Markets & Policy Division

c: Mr. Marshall Howard
Docket Room