

ORIGINAL

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**By Overnight Mail**

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

**Re: Docket No. 06-00202: Joint Petition of Cleartel Communications, Inc.,  
IDS Telecom Corp., and NOW Communications, Inc. for Approval a  
Certain Financing Arrangements  
RESPONSE TO DATA REQUEST NO. 1**

Dear Chairman Kyle:

On behalf of Cleartel Communications, Inc., IDS Telecom Corp., and NOW Communications, Inc. (collectively, "Petitioners"), enclosed for filing are an original and four (4) copies of Petitioner's response to Data Request No. 1. Also enclosed is a diskette with an electronic copy of this filing.

Please note that Exhibits A and B contains confidential information and, therefore, are being filed under seal. Petitioners respectfully request that these Exhibits be treated as confidential and not released to the public.

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*

Catherine Wang  
Brett P. Ferenchak

Enclosure

cc: Carlos Black (TRA) (via email)

# ORIGINAL

## BEFORE THE TENNESSEE REGULATORY AUTHORITY

_____	)	
In the Matter of the Joint Petition of	)	
	)	
<b>Cleartel Communications, Inc.,</b>	)	Docket No. 06-00202
<b>IDS Telecom Corp.</b>	)	
and	)	
<b>NOW Communications, Inc.</b>	)	
	)	
for Approval of Certain Financing	)	
Arrangements	)	
_____	)	

### RESPONSES TO DATA REQUEST NO. 1

Cleartel Communications, Inc. ("CTI"), IDS Telecom Corp. ("IDS"), and NOW Communications, Inc. ("NOW") (CTI, IDS, and NOW collectively, "Petitioners"), by undersigned counsel, provide the following responses to the Tennessee Regulatory Authority's ("TRA") Data Request No. 1:

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.**

Petitioners are currently negotiating the actual agreement for the financing, but are prepared to provide the commitment letter from the lender detailing the major terms of the financing arrangements. Attached, therefore, as Exhibit A is a term sheet for the secured revolving credit facility. Please note that this document is confidential and proprietary.

Petitioners respectfully request that the term sheet be filed under seal and not released to the public. Petitioners, therefore, have provide Exhibit A in sealed envelopes stamped confidential.

Petitioners have determined that they do not have any physical assets located in Tennessee. In general, Petitioners (and CTI's other subsidiaries) expect to pledge as security for the financing arrangements all of their existing and future acquired assets. Subject to customary qualifications and exceptions to be negotiated as part of the definitive financing arrangements, the categories of assets would include the following: accounts receivables, inventory, rolling stock, machinery and equipment, real property, the capital stock of CTI's subsidiaries, chattel paper, documents, instruments, deposit accounts, contract rights, general intangibles, intellectual property and investment property.

- 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.**

Documentation for the loans is not yet available. However, the interest rates are expected to be LIBOR plus 8% for the senior subordinated secured term loan and LIBOR plus 10% for the junior secured term loan.

As stated above, Petitioners have determined that they do not have any physical assets located in Tennessee. In general, the assets pledged will be those types of assets listed in the response to Question 1, above.

- 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.**

As stated above, Petitioners have determined that they do not have any physical assets located in Tennessee. In general, the assets pledged will be those types of assets listed in the response to Question 1, above.

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. Provide the most recent independently audited balance sheet and operating statement of revenues for Cleartel Communications, Inc.**

Attached as Exhibit B are the most recent audited financial statements for Cleartel Communications, Inc. Please note that the financial statements are **confidential and proprietary**. Petitioners respectfully request that the financial statements be filed under seal and not released to the public. Petitioners, therefore, have provide Exhibit B in a sealed envelopes stamped confidential.

Respectfully submitted,



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Dated: August 28, 2006