

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 5, 2006

IN RE:

PETITION OF CLEARTEL COMMUNICATIONS,
INC., IDS TELECOM CORP. AND NOW
COMMUNICATIONS, INC. FOR APPROVAL OF
CERTAIN FINANCING ARRANGEMENTS

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) DOCKET NO.
) 06-00202
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ORDER APPROVING FINANCING TRANSACTION

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 September 25, 2006 for consideration of the *Petition* filed by Cleartel Communications, Inc., ("CCI"), IDS Telecom Corp. ("IDS"), and NOW Communications, Inc. ("NOW") (CCI, IDS, and NOW collectively, "Petitioners") for approval of financing arrangements pursuant to Tenn. Code Ann. § 65-4-109 (2004).

The *Petition*

The Petitioners, by and through their attorneys, filed the *Petition* with the Authority requesting 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 approval to act as co-borrowers and co-guarantors for a secured revolving credit facility of up to \$20 million from Textron Financial Corporation

("Textron"). The 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, NOW and CCI's other subsidiaries operating outside of Tennessee will pledge their assets as security for such obligations. The secured revolving credit facility will have a final maturity date of three (3) years from the closing date.

According to the Petitioners' Data Response filed on August 30, 2006, the Senior Credit Facility will bear interest at an annual rate equal to 30, 60, or 90-day London Interbank Offered Rate ("LIBOR") plus 300 basis points or Base Rate plus 50 basis points. The 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 will have maturity dates of December 31, 2010, and can be extended for an additional two (2) years at MCG's option. In a Data Response filed on August 30, 2006, the Petitioners state that 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 security for the financing transactions, the *Petition* states that both IDS and NOW request authority to pledge their assets 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 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. The *Petition* states the Petitioners

anticipate that in aggregate the guarantees and pledges would secure up to \$20 million in debt obligations.

In a Data Response filed on August 30, 2006, Petitioners assert that they do not have any physical assets located in Tennessee. Petitioners 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 will include the following: accounts receivables, inventory, rolling stock, machinery and equipment, real property, the capital stock of CCI's subsidiaries, chattel paper, documents, instruments, deposit accounts, contract rights, general intangibles, intellectual property, and investment property.

September 25, 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 September 25, 2006, the voting panel assigned to this docket voted unanimously to approve the *Petition* based on the following findings:

1. The financing transaction proposed by the parties is being made in accordance with the laws enforceable by the Authority, and that the Authority has a duty to approve the financing transaction if it is satisfied that the transaction complies with applicable law;
2. The proposed transaction is in the public interest such that, but not limited to, the fact that it would allow Petitioners to fund their working capital needs and will strengthen the Petitioners' ability to bring competitive telecommunications services to consumers in the State of Tennessee;
3. The proposed transaction will not result in the change in the Petitioners' ownership,

management, or day-to-day operations in Tennessee; and

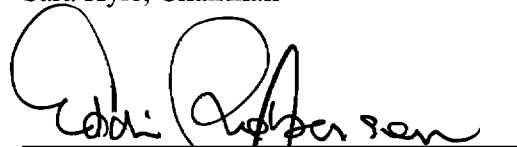
4. The proposed transaction will be transparent to customers and will not adversely affect current or proposed operations in Tennessee.

IT IS THEREFORE ORDERED THAT:

1. Cleartel Communications, Inc., IDS Telecom Corp., and NOW Communications, Inc. are authorized to enter into the financing transaction as described in the *Petition* 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