

ORIGINAL

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PUBLIC SERVICE
COMMISSION

December 8, 2006

Via FedEx

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Washington, DC
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Elizabeth O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602-8294

Re: Notification of the Transfer of Control of Pac-West Telecomm, Inc. (Utility ID# 5154700) to Pac-West Acquisition Company LLC

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Dear Ms. O'Donnell:

Boston
Hartford
London
Los Angeles
New York
Orange County
San Francisco
Silicon Valley
Tokyo
Walnut Creek
Washington

Pac-West Telecomm, Inc. ("Pac-West") and Pac-West Acquisition Company LLC ("PWAC") (together, "Parties"), by their undersigned counsel and pursuant to the Orders issued in Administrative Case Nos. 359 and 370 on June 21, 1996 and January 31, 1998, respectively, hereby notify the Kentucky Public Service Commission ("Commission") of a transaction resulting in the transfer of control of Pac-West to PWAC, a wholly owned subsidiary of Columbia Ventures Corporation ("CVC"), through the conversion of non-voting, preferred stock of Pac-West owned by PWAC into voting common stock in Pac-West. Pac-West is a non-dominant carrier that holds authority to provide telecommunications services in Kentucky. This transaction is critical to the financial viability of Pac-West and its continued ability to serve customers on an uninterrupted basis. The Parties will notify the Commission when the transfer of control is complete.

It is the Parties' understanding that Commission approval is not required in connection with the transaction described herein. Accordingly, this letter is filed for informational purposes only to ensure the continuing accuracy of the Commission's records.

In support, Parties state as follows:

The Parties

A. Pac-West Telecomm, Inc.

Pac-West is a publicly-traded, California corporation that maintains its principal place of business at 1776 W. March Lane, Suite 250, Stockton, California 95207. Pac-West, and its predecessor, began offering long distance service in 1982, and local service in 1996. Currently, Pac-West is a provider of integrated communication solutions that enable communication providers to use its network and services as an alternative to building and maintaining their own networks. Pac-West's customers currently include Internet service providers (ISPs), Voice over Internet Protocol (VoIP) providers, other enhanced

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communication service providers (ESPs), and other wholesale customers who provide communication services to their end-users. Pac-West also provides interstate long distance services (primarily 800 service) to business customers.

In Kentucky, Pac-West is authorized to provide facilities based and resold local exchange and resold interexchange telecommunications services pursuant to authority granted by the Commission in Filing Nos. TFS2005-01542, TFS2005-01543 effective October 26, 2005. Pac-West also holds domestic and international Section 214 authorizations from the Federal Communications Commission ("FCC"), which allow Pac-West to offer interstate telecommunications services.

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B. Pac-West Acquisition Company LLC

PWAC is a Washington limited liability company with principal offices at 203 S.E. Park Plaza Drive, Suite 270, Vancouver, Washington 98684. PWAC is a wholly owned subsidiary of CVC. PWAC was formed for the sole purpose of making the proposed investment in Pac-West and will be a holding company for Pac-West following completion of the transaction.

CVC is an investment company that owns and operates a portfolio of telecommunications companies and a small number of manufacturing businesses around the world. CVC is authorized to provide domestic interstate and international telecommunications services pursuant to Section 214 authorizations from the Federal Communications Commission, but CVC does not directly provide telecommunications services. CVC owns fifty percent (50%) of One Communications Corp. ("One Communications"), a holding company that owns each of the licensed CLECs identified on Exhibit A hereto (collectively, the "One Subsidiaries"). One Communications provides telecommunications services to small, medium and large businesses predominantly in the Northeast, Mid-Atlantic and upper Mid-west regions. Service offerings include local, long distance, and toll free telephony services; post-paid calling card services; conference calling; frame relay, private line, DSL, VPN, ATM; Internet access, webmail and converged services. Where possible, One Communications provides services using its broadband, IP-based network, which uses Cisco network infrastructure and a redundant fiber optic backbone. In addition, One Communications operates a more traditional circuit switch-based network and provides service by reselling the local and interexchange telephony services of other telecommunications carriers.

CVC also owns five companies that do business under the Hibernia Atlantic name and that collectively own a trans-Atlantic fiber-optic network linking Boston, Massachusetts, Halifax, Canada, Dublin, Ireland and London, United Kingdom; Magnet Networks Ltd. (a Dublin, Ireland based communications company that provides telephone, internet, and video services in and around Dublin); Columbia Fiber Solutions (the owner and operator of a 300-mile dark fiber-optic network in the Spokane, Washington/Coeur d'Alene, Idaho area), and certain other smaller telecommunications companies. With these holdings, CVC has a proven record of investing in telecommunications companies, and working

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with management to improve the efficiency, profitability and stability of those companies. Parties expect that Pac-West will benefit greatly from CVC's experience.

Designated Contacts

For the purposes of this Notice, questions or any correspondence should be directed to the following contacts for the Parties:

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(209) 926-4585 (Fax)
lmartin@pacwest.com

Description of the Transaction

PWAC, which currently does not own any common or other voting stock of Pac-West, will acquire direct control of Pac-West through the conversion of non-voting, preferred stock of Pac-West owned by PWAC into common stock of Pac-West. Upon completion of the conversion, PWAC will own approximately 95% of the common stock of Pac-West on a fully diluted basis. Pac-West, therefore, will be a direct subsidiary of PWAC and an indirect subsidiary of CVC. For the Commission's convenience, pre- and post-transaction corporate organization charts are provided as Exhibit B.

On November 15, 2006, Pac-West and PWAC entered into a Preferred Stock Purchase Agreement (the "Stock Purchase Agreement"). Pursuant to the Stock Purchase Agreement, PWAC purchased, in aggregate, 48,158 shares of newly designated non-voting and convertible Series B-1 Preferred Stock, par value \$0.001 per share, of Pac-West (the "Series B-1 Preferred Stock") and newly designated non-voting and

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convertible Series B-2 Preferred Stock (the "Series B-2 Preferred Stock" and together with the Series B-1 Preferred Stock, the "Preferred Stock").¹

Concurrently with the execution of the Stock Purchase Agreement, and in order to permit Pac-West to continue its operations, another newly created subsidiary of CVC, Pac-West Funding Company ("PWFC"), purchased all of Comerica Bank's rights, title and interest in its existing Loan and Security Agreement with Pac-West and such Loan and Security Agreement was amended and restated as the Amended and Restated Loan and Security Agreement (the "Amended and Restated Loan and Security Agreement").² Control of Pac-West was not transferred to PWAC or PWFC as a result of the issuance of the non-voting Preferred Stock to PWAC or the purchase by PWFC of Comerica's interest in the Loan and Security Agreement.

As noted above, this transaction, including the initial purchase by PWAC of the preferred non-voting preferred stock and by PWFC's refinancing of Comerica's rights title and interest in the Loan and Security Agreement, is critical to the continued financial viability and ability of Pac-West to provide uninterrupted service to its customers. Indeed, absent this transaction, Pac-West had been faced with a decision to immediately file for bankruptcy protection and liquidation, which would have had extremely adverse consequences for its employees and investors and resulted in a discontinuance of service to its customers. Instead, the transaction means that the Pac-West will continue to have access to financing and thereby to continue in operation, providing stability for its employees and customers.

Moreover, the transaction will not result in a change in the day-to-day management of Pac-West. In addition, the manner in which Pac-West currently offers service in Kentucky will not change; Pac-West will continue to offer the services it currently offers with no change in the rates or terms and conditions of service. The transaction, therefore, will be seamless and transparent to consumers in Kentucky.

¹ The Series B-1 Preferred Stock was issued by Pac-West on November 15, 2006 and the Series B-2 Preferred Stock will be issued following receipt by Pac-West of the requisite approval from the shareholders of Pac-West to increase the number of authorized shares of Common Stock, par value \$0.001 per share ("Common Stock") to permit the conversion of all outstanding Series B-2 Preferred Stock and provide for such additional shares of authorized Common Stock as the Board of Directors of Pac-West determines is necessary or appropriate.

² In order to give greater financial stability to Pac-West, the Amended and Restated Loan and Security Agreement increased Pac-West's revolving line from \$5 million to \$8 million and increased the aggregate amount of the term loans from \$8.8 million to \$16 million. In addition, the maturity date of the Revolving Line of Credit was extended to December 1, 2008 from November 9, 2007 and the maturity date of the Term Loans was shortened to December 1, 2008 from December 31, 2008. The interest rates on these Revolving Line of Credit and the Terms Loans is 12% per annum and payable at maturity. Pac-West, which pledged its assets as security under the original Loan and Security Agreement, will maintain the pledge of assets, although securing an increased amount of indebtedness, under the Amended and Restated Loan and Security Agreement.

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Public Interest Statement

The Parties submit that the transaction will serve the public interest. The transaction is necessary to provide critical financial resources to Pac-West that will allow Pac-West to continue to provide high quality services to its customers. Without the transaction, Pac-West faced the undesirable likelihood of liquidation, with negative consequences for its employees, customers and investors. The public interest will be served by granting approval of transaction. Further, the Pac-West management team will remain in place and Pac-West will not change its name or its rates, terms or conditions of service as result of the transaction. The transaction, therefore, will be transparent to consumers. In sum, the transaction will enable Pac-West to continue to provide high-quality telecommunications services in Kentucky to the benefit of Kentucky consumers.

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* * * *

An original and ten (10) copies of this notice are enclosed. Please date-stamp the enclosed extra copy of this filing and return it in the attached self-addressed stamped envelope. Should you have any questions concerning this filing, please do not hesitate to contact us.

Respectfully submitted,



Jean L. Kiddoo
Brett P. Ferenchak

Counsel to the Parties

Attachments

LIST OF EXHIBITS

Exhibit A	Licensed CLEC Subsidiaries of One Communications Corp.
Exhibit B	Pre- and Post-Transaction Corporate Organization Charts
Verifications	

EXHIBIT A

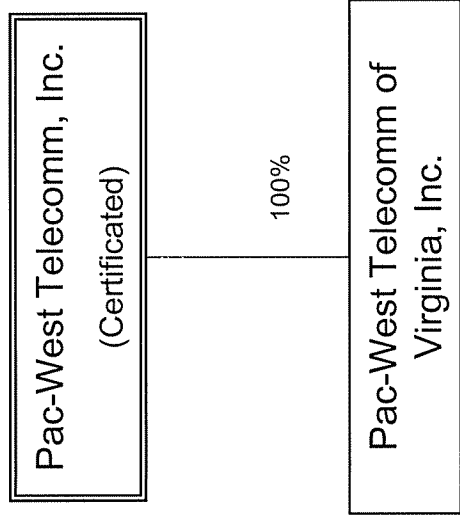
Licensed CLEC Subsidiaries of One Communications Corp.

Choice One Communications of Connecticut Inc.
Choice One Communications of Maine Inc.
Choice One Communications of Massachusetts Inc.
Choice One Communications of New York Inc.
Choice One Communications of Ohio Inc.
Choice One Communications of Pennsylvania Inc.
Choice One Communications of Rhode Island Inc.
Choice One Communications of Vermont Inc.
Choice One Communications of Virginia Inc.
Choice One of New Hampshire Inc.
Connecticut Broadband, LLC
Connecticut Telephone & Communication Systems, Inc.
Conversent Communications of Connecticut, LLC
Conversent Communications of Maine, LLC
Conversent Communications of Massachusetts, Inc.
Conversent Communications of New Hampshire, LLC
Conversent Communications of New Jersey, LLC
Conversent Communications of New York, LLC
Conversent Communications of Pennsylvania, LLC
Conversent Communications of Rhode Island, LLC
Conversent Communications of Vermont, LLC
Conversent Communications, LLC
CTC Communications Corp.
CTC Communications of Virginia, Inc.
FiberNet of Ohio, LLC
FiberNet Telecommunications of Pennsylvania, LLC
FiberNet, L.L.C.
Lightship Telecom, LLC
US Xchange Inc.
US Xchange of Illinois, L.L.C.
US Xchange of Indiana, L.L.C.
US Xchange of Michigan, L.L.C.
US Xchange of Wisconsin, L.L.C.

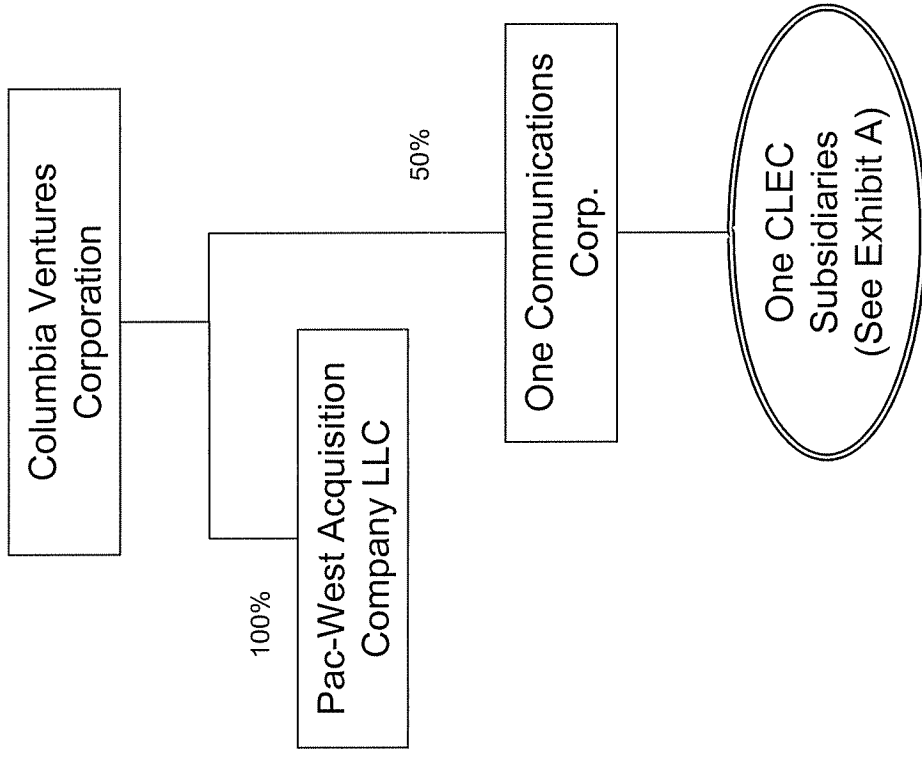
EXHIBIT B

Pre- and Post-Transaction Corporate Organization Charts

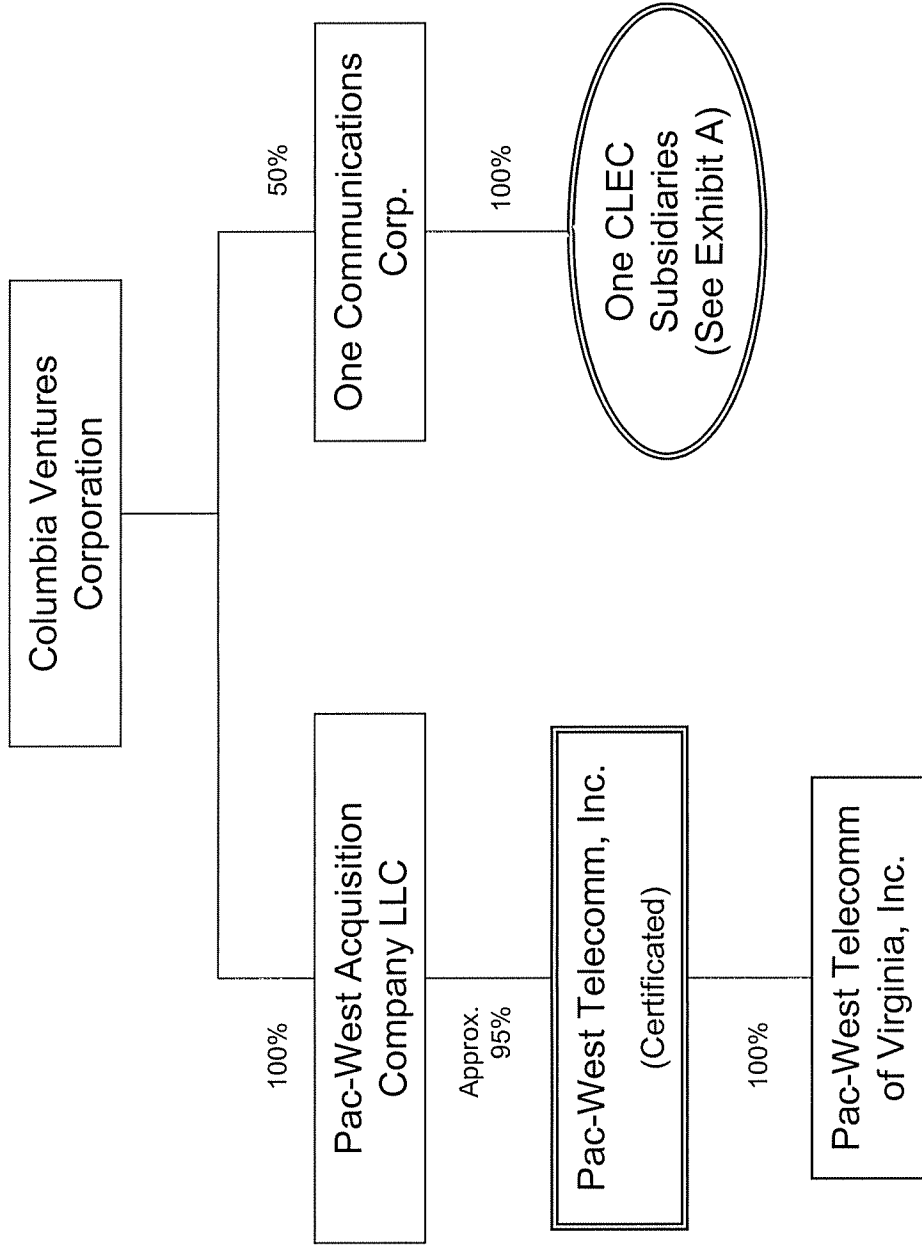
Pac-West
Pre-Transaction Ownership



Columbia Ventures Corporation
Pre-Transaction Ownership



Post-Transaction Ownership




VERIFICATIONS

STATE OF OREGON
CITY OF PORTLAND

§
§
§

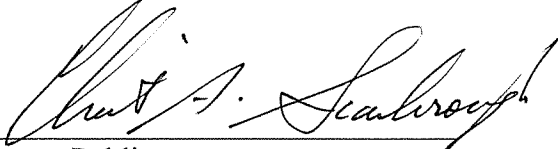
VERIFICATION

I, James F. Hensel, state that I am Senior Vice President of Columbia Ventures Corporation, parent of Pac-West Acquisition Company LLC; that I am authorized to make this Verification on behalf of Pac-West Acquisition Company LLC; that the foregoing Notification was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.



James F. Hensel
Senior Vice President
Columbia Ventures Corporation

Sworn and subscribed before me this 16th day of November, 2006.



Notary Public

My commission expires: 4/22/2009

