



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF)
FIRST COMMUNICATIONS, LLC. AND XTENSION) ORDER
SERVICES, INC. FOR APPROVAL TO PARTICIPATE)
IN A FINANCING ARRANGEMENT) DOCKET NO. TF08050299

(SERVICE LIST ATTACHED)

BY THE BOARD:

On May 6, 2008, First Communications, LLC ("FCL") and Xtension Services, Inc. ("Xtension") (collectively, "Petitioners") filed a petition with the New Jersey Board of Public Utilities pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9, and N.J.A.C. 14:1-5.9 requesting approval to act as guarantors for a financing arrangement of up to \$90,000,000 entered into by their parent company, First Communications, Inc. ("FCI") (hereinafter, the "Financing"). In addition, Petitioners request approval to pledge existing and future jurisdictional assets in support of the financing arrangement.

FCL was formed on July 1, 1998 under the laws of the State of Ohio and is a wholly owned subsidiary of FCI, a corporation listed on the Alternative Investment Market of the London Stock Exchange ("AIM"). FCL is authorized to provide local, private line, and/or long distance services to both business and residential customers in 49 states and holds domestic and international Section 214 authorizations from the Federal Communications Commission ("FCC"). Its services include, in addition to traditional local and long distance services, toll-free services, conference calling packages, calling cards, prepaid calling cards, Internet access and dedicated and private line services. FCL's telecommunications services are provided primarily on a resale basis using facilities and switches that are owned and operated by other telecommunications carriers. In New Jersey, FCL is authorized to provide local exchange and interexchange telecommunications services pursuant to the Board's Order in Docket No. TE04030220, issued on May 12, 2004. FCL has approximately 38,800 customers in New Jersey.

Xtension, also a wholly owned subsidiary of FCI, is a corporation founded in 2000 under the laws of the State of Delaware. Xtension holds domestic and international Section 214 authorizations from the FCC and is authorized to provide long distance telecommunications services in 13 states and local exchange services in New Jersey. In New Jersey, Xtension is authorized to provide resold interexchange telecommunications services pursuant to authorization issued on March 19, 2002. Xtension has three customers in New Jersey.

FCL has incurred long-term debt obligations, consisting of a term loan of up to \$70,000,000 and a revolving credit facility of up to \$20,000,000 issued on March 7, 2008 that will mature on March 6, 2013. The debt carries an interest rate equal to the London Interbank Offered Rate (LIBOR) plus 3.75%. At any time, but not more than three (3) times during the term of this Agreement, the Borrower may request that the aggregate of the commitments be increased by increasing the revolving commitments and/or by obtaining incremental term loans; provided that the aggregate commitment does not exceed \$115,000,000. However, Petitioners do not seek approval to act as guarantors under the Credit Agreement for the additional \$25 million because Petitioners and FCL anticipate seeking another financing arrangement in the future. Petitioners have stated that they will seek Board approval prior to acting as guarantors should the Financing be increased above \$90 million.

The amount of outstanding principal at this time is \$72 million (\$70 under the term loan and \$2 million under the revolver). FCL used \$25 million of the proceeds to redeem preferred stock, \$45 million for the acquisition of FirstEnergy Telecom Services, Inc. and the remainder was used for working capital and other general corporate purposes.

Petitioners state that participation in the Financing will not result in a change in their management or day-to-day operations, and will not adversely affect Petitioners' operations in New Jersey. Furthermore, Petitioners assert that the Financing will be entirely transparent to the public and will not alter the rates, terms and conditions under which Petitioners provide service in New Jersey.

The Division of Rate Counsel has reviewed this matter and, by letter dated May 30, 2008, recommends that the Board approve the Petition.

Staff's review indicates that the financing arrangement, as described herein, is in accordance with law and is not expected to directly affect rates or services of the Petitioners, or result in any change in control. Staff's review also indicates that the action requested, by allowing the Petitioners greater access to capital, may strengthen the Petitioners' ability to bring competitive telecommunications services to consumers in the State of New Jersey.

After review of the petition and supporting documents, and after giving consideration to the recommendations of Staff and the Division of Rate Counsel, the Board FINDS that the financing arrangement described herein, is consistent with the applicable law and in the public interest. Therefore, the Board HEREBY AUTHORIZES the Petitioners to enter into subsidiary guarantees and pledge existing and future jurisdictional assets in support of the Financing.

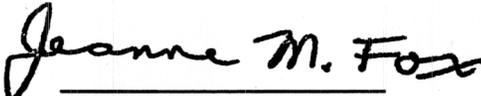
This Order is subject to the following provisions:

- 1 This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting the Petitioners.
2. The Petitioners shall notify the Board, within ten (10) business days, of any material changes in the terms of the Agreement and shall provide complete details of such changes to the Board including any anticipated effects upon service in New Jersey, and where applicable, seek Board approval pursuant to N.J.S.A. 48:2-1 et seq.

3. The Petitioners shall notify the Board of any material default on the terms of the Credit Agreement within ten (10) business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:2-1 et seq. where applicable.
5. This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by the Petitioners.
6. Petitioner shall file semiannual statements required pursuant to N.J.A.C. 14:1-5.9(b) regarding the Financing.

DATED: 7/14/08

BOARD OF PUBLIC UTILITIES
BY:



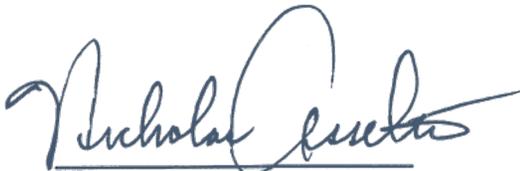
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COMMISSIONER



JOSEPH L. FIORDALISO
COMMISSIONER



NICHOLAS ASSELTA
COMMISSIONER



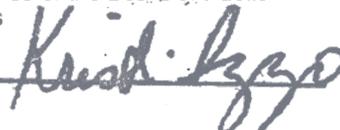
ELIZABETH RANDALL
COMMISSIONER

ATTEST:



KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



In the Matter of the Verified Petition of First Communications, LLC and
Xtension Services, Inc. for Approval to Participate in a Financing Arrangement

SERVICE LIST

Docket No. TF08050299

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