



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.nj.gov.bpu](http://www.nj.gov.bpu)**

IN THE MATTER OF THE VERIFIED	)	TELECOMMUNICATIONS
PETITION OF RCN CORPORATION AND ITS	)	
CURRENT AND FUTURE SUBSIDIARIES	)	<u>ORDER OF APPROVAL</u>
	)	
	)	DOCKET NO. TF07100761

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

On October 4, 2007 RCN Corporation ("Parent") and RCN New York Communication, LLC ("RCN NY") (collectively, "Petitioners") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, requesting approval to participate in certain financing arrangements. Parent, the ultimate parent of RCN NY, will incur debt obligations in the aggregate amount of \$250 million and Parent's current and future subsidiaries will act as guarantors and their pledge assets in support of the financing arrangements.

Parent is a publicly traded Delaware corporation with its principal offices located at 196 Van Buren Street, Suite 300, Herndon, VA 20170. Parent, through its operating subsidiaries<sup>1</sup>, is one of the largest facilities-based competitive providers of bundled phone, cable and high speed Internet services delivered over its own fiber-optic local network to consumers in the most densely populated markets in the U.S. Parent has subsidiaries authorized to provide telecommunications services in Connecticut, Delaware, District of Columbia, Illinois, Maine, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Vermont and Virginia.

In New Jersey, RCN NY is authorized to provide resold and facilities-based local exchange and interexchange telecommunications services pursuant to an Order of the Board in Docket No. TE00100802, dated October 15, 2001. RCN NY also holds additional state authorizations, and is also authorized by the Federal Communications Commission ("FCC") to provide interstate and international telecommunications services.

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<sup>1</sup> Parent's current subsidiaries are: RCN Telecom Services, Inc., RCN New York Communications, LLC, RCN Telecom Services of Washington, D.C. Inc., RCN Telecom Services of Massachusetts, Inc., RCN Telecom Services of Philadelphia, Inc., RCN-BecoCom, Inc., RCN Telecom Services of Illinois, LLC, and Starpower Communications, LLC d/b/a RCN.

Parent proposes to enter into debt financing arrangements in an aggregate amount of \$250 million.<sup>2</sup> RCN NY and Parent's other current and future subsidiaries will pledge their assets as security, and provide a guaranty for a portion of the Parent financing arrangements but will not directly participate in those financing arrangements as borrowers. The financing commitments associated with the proposed Parent financing currently consist of (i) a \$200 million term loan ("Term Loan") and (ii) a \$50 million bridge loan ("Bridge Loan") which will ultimately be converted into or refinanced with senior unsecured indebtedness at the Parent level only. The Term Loan will have a maturity date of 2014, and an interest rate equal to the London Inter Bank Offered Rate ("LIBOR") plus an applicable margin. The Bridge Loan will have a maturity date of one year unless converted to a term loan with a maturity of eight (8) years after the closing date. The Bridge Loan shall bear interest at LIBOR plus an applicable margin, and may be converted to a fixed rate at the option of the lender.

Parent plans to use the financing arrangements to fund the acquisition of NEON Communications Group, Inc. ("NEON"), which was approved by the Board on October 3, 2007 in Docket No. TM07070541.<sup>3</sup> Parent has determined that it desires to proceed with the above-described financing arrangements in order to fund the acquisition. Upon the consummation of the merger transaction, Parent will be required to pledge, as security and a guaranty for a portion of the financing arrangements, the assets of NEON and its subsidiaries, including the assets of NEON Connect, Inc., which is authorized by the Board to provide intrastate telecommunications services.<sup>4</sup> Thereafter, the financing arrangements may be used to provide working capital, finance capital expenditures, and/or for other general corporate purposes for Petitioners, and their affiliates.

The Division of Rate Counsel has reviewed this matter and, by letter dated October 24, 2007, recommends that the Board approve this petition.

The Board, after investigation, having considered the petition and exhibits submitted in this proceeding, FINDS that the proposed transaction is in accordance with law and HEREBY ORDERS that Petitioner be and is HEREBY AUTHORIZED to participate in the financing arrangements described herein.

This Order is issued subject to the following provisions:

1. Petitioners shall notify the Board, within five business days, of any material changes in the notes and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.

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<sup>2</sup> RCN Corporation filed for reorganization pursuant to Chapter 11 of the United States Bankruptcy Code on May 27, 2004 and emerged from the Chapter 11 process on Dec. 8, 2004. *In re RCN Corporation, et al.*, jointly administered under Case No. 04-13638 (RDD) (Bankr. S.D.N.Y). The reorganization plan converted approximately \$1.2 billion in unsecured obligations into 100% of RCN Corporation's new equity, and eliminated approximately \$1.8 billion in preferred share obligations. In addition, as part of the emergence from bankruptcy, RCN Corporation obtained approval from the bankruptcy court for a financing arrangement that allowed it to incur debt in the principal aggregate amount of \$500 million, currently guaranteed by existing and future parent subsidiaries.

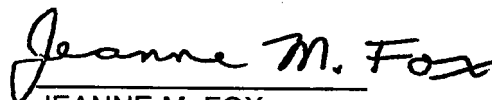
<sup>3</sup> I/M/O the Joint Petition of NEON Connect, Inc. and RCN Corporation for Change of Control.

<sup>4</sup> In New Jersey, NEON Connect, Inc. is authorized to provide telecommunications services pursuant to an Order in Docket No. TE03030230, issued on June 5, 2003.

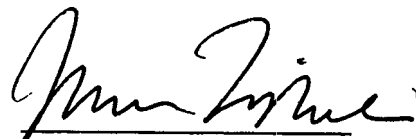
2. Petitioners shall notify the Board of any material default on the terms of the notes within five business days of such occurrence.
3. This Order shall not be construed as directly or indirectly fixing, for any purposes whatsoever, any value of any tangible or intangible assets now owned or hereafter to be owned by RCN NY.
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 does not constitute an automatic transfer of RCN NY's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
5. This Order shall not affect nor in any way limit the exercise of the authority of the Board, or of the State of New Jersey, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation, or any other matters affecting RCN NY.

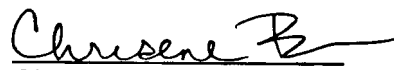
DATED: 11/9/07

BOARD OF PUBLIC UTILITIES  
BY:

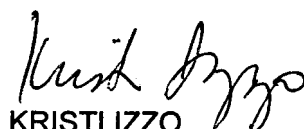
  
JEANNE M. FOX  
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FREDERICK F. BUTLER  
COMMISSIONER

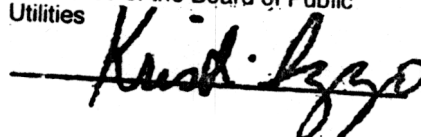
  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
CHRISTINE V. BATOR  
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



## **SERVICE LIST**

### **In the Matter of the Verified Petition of RCN Corporation and its Current and Future Subsidiaries**

**Docket No. TF07100761**

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