



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

IN THE MATTER OF THE PETITION OF
LOCAL FIBER, LLC FOR APPROVAL TO
UNDERTAKE DEBT FINANCING

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TELECOMMUNICATIONS

ORDER

DOCKET NO. TF07030151

(SERVICE LIST ATTACHED)

BY THE BOARD:

On March 2, 2007, Local Fiber, LLC ("Local Fiber" or "Petitioner") submitted a 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 guarantee, and to pledge stock in connection with certain loans under the bank credit agreement (the "Credit Agreement") to be entered into by its parent company, FiberNet Telecom Group, Inc. ("FiberNet") and certain affiliated entities.

The Credit Agreement provides that FiberNet and its subsidiaries, including Local Fiber (collectively, the "Borrowers") are entering into a secured Credit Agreement with the group of lenders named herein (the "Lenders") and Capital Source Finance LLC as administrative agent for the Lenders (the "Agent"). Pursuant to the Credit Agreement, the Lenders will commit to make term loans and revolving loans to the Borrowers totaling up to \$25 million. The proposed debt structure would include (i) a \$6.0 million revolving credit facility (the "Revolver") of which approximately \$5.75 million will be reserved for standby letters of credit at close; (ii) a \$14.0 million amortized term loan ("Term Loan"); and (iii) a \$5.0 million capital expenditure line ("Capex Line") which will be unfunded at close.

Interest on the Revolving Loan, Term Loan, and Capex Line shall be payable quarterly in arrears at an annual rate of LIBOR plus 3.5% or the Prime rate of Interest as quoted by Citibank, N.A. plus 2.25%. There will be an unused Facility fee of 0.50% per annum of the average daily balance of the unused portion of the Revolver, payable monthly in arrears. The facility will provide financing to repay \$19,200,000 of existing debt and pay for \$550,000 of transaction fees and expenses. The non-revolving \$5,000,000, five-year Capex Loan Facility, will be used by FiberNet to finance capital expenditures related to the FiberNet's collocation expansion. Each of the facilities will mature five years from the date of the Credit Agreement.

FiberNet Telecom Group, Inc., FiberNet Telecom, Inc., Availus, LLC, Local Fiber, LLC and FiberNet Equal Access, LLC will be using the proceeds of the proposed financings for general working capital and capital expenditures. Allocations of proceeds to subsidiaries and affiliates will be made on an as-needed basis.

The credit facilities will be secured by (i) a first lien upon all existing and future real assets and personal property and equity stock of Borrower and any existing and future subsidiaries, (ii) a first lien upon all existing and future real assets and personal property of any parent holding company, and (iii) a pledge of 100% of FiberNet's and FiberNet's subsidiaries' capital stock.

Local Fiber is duly organized and existing under the laws of New York. FiberNet is duly organized and existing under the laws of Delaware. In addition, both are qualified to transact business in the State of New Jersey. Local Fiber and FiberNet's principal offices are located at 570 Lexington Avenue, New York, New York 10022. Local Fiber is authorized to provide local exchange and interexchange telecommunications services throughout New Jersey pursuant to the Board's Order of Approval, issued on January 10, 2002, in Docket No. TE00090695. Local Fiber provides various services such as transport, collocation and others to 88 customers in New Jersey.

Petitioner emphasizes that requested authorization will strengthen Local Fiber's ability to compete in the market for telecommunications services in New Jersey by giving Local Fiber access to greater financial resources and these resources will enable it to introduce more rapidly innovative products and services and to respond better to the competitive telecommunications environment. Petitioner states the proposed transaction will not result in any changes to Local Fiber's rates or service.

The Division of Rate Counsel has reviewed this matter and, by letter dated April 23, 2007, recommends the Board approve this petition.

After review, the Board FINDS that the proposed transactions are consistent with the applicable law. The Board HEREBY AUTHORIZES Petitioner to participate in the financing arrangements described herein.

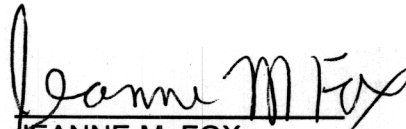
This Order is issued subject to the following provisions:

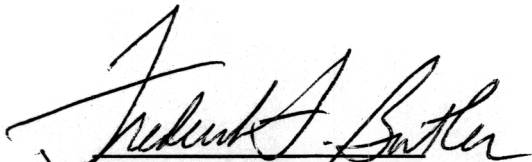
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. Petitioner shall notify the Board, within five business days, of any material changes in the Credit Agreement and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
3. Petitioner shall notify the Board of any material default on the terms of the Credit Agreement within five 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 does not constitute an automatic transfer of Petitioner'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 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 Petitioner.

DATED: 7/12/07

BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

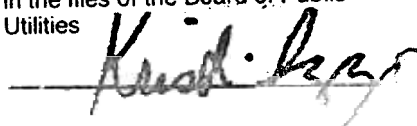

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


CARMEN DIAZ
ACTING 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

Petition of Local Fiber, LLC for Approval to Undertake Debt Financing

Docket No. TF07030151

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