



Agenda Date: 2/11/10
Agenda Item: IVA

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 JOINT	)	ORDER
PETITION OF ZAYO BANDWIDTH NORTHEAST,	)	
LLC AND ZAYO BANDWIDTH NORTHEAST SUB,	)	
LLC AND LOCAL FIBER, LLC FOR AUTHORITY	)	
TO INCUR DEBT OBLIGATIONS AND	)	
ENCUMBER UTILITY PROPERTY	)	Docket No. TF10010005

Dennis Linken, Esq. Stryker Tams & Dill, LLP Two Penn Plaza Newark, NJ 07105

BY THE BOARD:

Zayo Bandwidth Northeast, LLC ("Zayo-NE"), Zayo Bandwidth Northeast Sub, LLC ("Zayo-NE Sub"), Zayo Bandwidth, LLC ("ZB") and Local Fiber, LLC ("Local Fiber") and together with Zayo-NE, Zayo-NE Sub and ZB, the ("Petitioners"), filed a petition with the Board on or about January 4, 2010 ("Petition"), as amended by letter dated January 13, 2010, pursuant to N.J.S.A. 48:3-7 and 48:3-9, for approval to incur long-term debt obligations of up to \$350 million and to encumber their property through the grant of a security interest in Petitioners' assets in support of the financing arrangements. Zayo-NE and ZB are Delaware limited liability companies whose sole member is Zayo Group, LLC ("Zayo Group"), a Delaware limited liability company. Zayo-NE Sub is a Delaware limited liability company whose sole member is Zayo-NE. Local Fiber is a New York limited liability company and wholly owned indirect subsidiary of Zayo Group. Petitioners have a principal office located at 901 Front Street, Suite 200, Louisville, Colorado 80027. Zayo-NE, Zayo-NE Sub and Local Fiber are public utilities subject to the jurisdiction of the Board, while ZB has a pending Petition for certification to provide resold and facilities-based local exchange, interexchange, exchange access and private line telecommunications services.

Zayo-NE and Zayo-NE Sub are authorized to provide interexchange telecommunications services in New Jersey pursuant to the Board's Orders of Approval issued in Docket Nos. TE03030186 and TE03030184 respectively on or about May 8, 2003. Local Fiber is authorized to provide local exchange and interexchange services pursuant to the Board's Order of Approval issued in Docket No. TE00090695 on January 10, 2002. ZB has a Petition pending in Docket No. TE09120992 for certification to provide resold and facilities-based local exchange, interexchange, exchange access and private line telecommunications services. In addition, Petitioners are authorized by the FCC to provide interstate telecommunications services and Zayo-NE, ZB and Local Fiber are authorized by the FCC to provide international telecommunications services.

Petitioners currently are borrowers and/or guarantors under, and have pledged their assets as security for, term loan and revolving credit facilities in an aggregate amount of \$182.5 Million. The Board authorized Zayo-NE and Zayo-NE Sub to participate in those credit facilities in an amount of up to \$185 Million in Docket No. TF08020082 and Local Fiber in Docket No. TM09060438. While ZB also participates in those credit facilities in the same manner as the other Petitioners, ZB did not seek Board approval since it is not yet a public utility in New Jersey.

Petitioners and certain of Zayo Group's current and future subsidiaries will participate in new company-wide financing arrangements to be obtained in an aggregate amount of up to \$350 million. The financing arrangements are expected to include a combination of senior secured notes in an aggregate amount of up to \$275 million and a revolving credit facility in an aggregate amount of up to \$75 million, although the precise amounts of the two financing facilities may change.

Petitioners seek approval for notes and a revolving credit facility that will mature up to eight (8) years after issuance. As explained in the Petition, the interest rate for the notes and revolving credit facility will be priced shortly before closing but will be based on the then current market rates.

Zayo Group intends to use a portion of the senior secured notes to pay off the Existing Credit Facilities. The remainder of the proceeds from the notes and the proceeds from the new revolving credit facility will be used to fund strategic acquisitions and for other permitted purposes, including working capital, capital expenditures, and other general corporate purposes of Zayo Group and its operating subsidiaries, including Petitioners.

The Petitioners state that approval of the financing arrangements will serve the public interest in promoting competition among telecommunications carriers by providing Petitioners with the opportunity to strengthen their competitive position with access to greater financial resources through the refinancing of Zayo Group's existing long-term debt and access to additional long-term financing. Further, Petitioners state that the funds to be obtained through the financing arrangements are necessary and appropriate, are consistent with the performance by the Petitioners of their services to the public, will not impair the ability of Petitioners to perform such services, and will promote the corporate purposes of the Petitioners. The financing transaction will be transparent to customers and will not disrupt service, or cause customer confusion or inconvenience.

The Division of Rate Counsel has reviewed this matter and, by letter dated January 22, 2010, has recommended that the Board approve this Petition.

Petitioners, in accordance with N.J.A.C. 14:1-12 et seq., filed a request for confidential treatment of certain unaudited and *pro forma* financial statements, customer information, terms of the financing arrangements and a schedule of outstanding debt submitted to the Board's Staff in conjunction with its review of this matter.

After review, the Board FINDS that the proposed transaction is consistent with the applicable law and the public interest. The Board HEREBY AUTHORIZES Petitioners to participate in the financing arrangements described herein. This Order is issued subject to the following provisions:

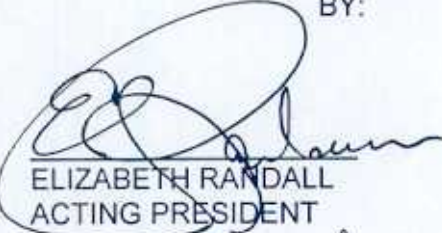
- 1 This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates,

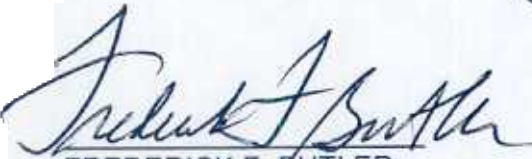
costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioners.

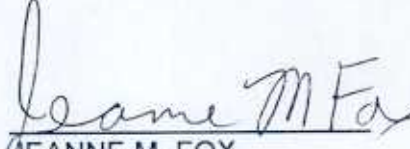
2. Petitioners shall notify the Board, within five (5) business days, of any material changes in the financing arrangements and shall provide complete details of such transactions including any anticipated effects upon service in New Jersey.
3. Petitioners shall notify the Board of any material default on the terms of the financing arrangement within five (5) 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. 48:1-1 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 the Petitioners.
6. The authority granted by this Order shall become null and void and of no effect with respect to any portion of the financial transaction now authorized by the Board that is not exercised by December 31, 2012.

DATED: 2/11/10

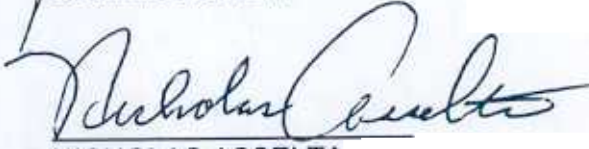
BOARD OF PUBLIC UTILITIES
BY:


ELIZABETH RANDALL
ACTING PRESIDENT

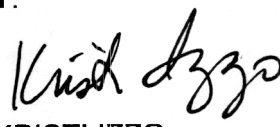

FREDERICK F. BUTLER
COMMISSIONER


JEANNE M. FOX
COMMISSIONER

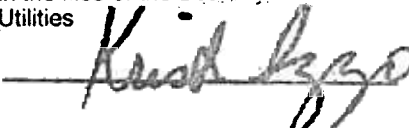

JOSEPH L. FIORDALISO
COMMISSIONER


NICHOLAS ASSELTA
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 Joint Petition Of Zayo Bandwidth Northeast, LLC And Zayo
Bandwidth Northeast Sub, LLC and Local Fiber, LLC For Authority To Incur Debt
Obligations And Encumber Utility Property
Docket No. TF10010005**

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