



Agenda Date: 6/7/10

Agenda Item: IVC

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)
RCN TELECOM SERVICES, INC., RCN NEW YORK)
COMMUNICATIONS, LLC, NEON CONNECT, INC.)
AND YANKEE METRO PARENT, INC. FOR)
APPROVAL OF A TRANSFER OF CONTROL AND)
TO ENTER CERTAIN FINANCING ARRANGEMENTS)

ORDER OF APPROVAL

DOCKET NO. TF10030202

Murray E. Bevan, Esq., Bevan, Mosca, Giuditta & Zarillo, P.C., Watchung, New Jersey, for the Petitioners

BY THE BOARD:

On March 19, 2010, RCN Telecom Services, Inc. ("RCN TS"), RCN New York Communications, LLC ("RCN NY") NEON Connect, Inc. ("NEON") and Yankee Metro Parent, Inc. ("Yankee Metro") (collectively, "Petitioners") submitted a verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.14 requesting approval to consummate a transaction whereby Yankee Metro will acquire control of RCN NY and NEON. Following the assumption of control by Yankee Metro, RCN NY and NEON will continue to offer services at the same rates, terms and conditions under which it currently offers such services in the State. RCN TS, which does not currently provide services to any customers in New Jersey, will surrender its authority to the Board upon completion of the transaction. In addition, RCN seeks approval to incur long-term debt obligations of up to \$350 million as a borrower and/or guarantor and to the extent necessary, to encumber its property through the grant of a security interest in its assets in support of those debt obligations.

BACKGROUND

RCN Corporation is a publicly traded Delaware corporation with its principal offices located in Herndon, Virginia. Through its subsidiaries, RCN Corporation provides facilities based telecommunications services in Connecticut, Delaware, District of Columbia, Illinois, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont and Virginia. In New Jersey, RCN Corporation has three operating subsidiaries: RCN TS, RCN NY and NEON. RCN TS, a Pennsylvania corporation was granted authorization to provide local exchange and interexchange telecommunications services in New Jersey on November 9, 2007. See Order, I/M/O the Petition of RCN Telecom Services, Inc. for Authority to Provide Local Exchange and Interexchange Telecommunications Services Within the State of New Jersey, Docket No. TE07090670. RCN TS which does not provide service to

any customers nor has any operations in New Jersey seeks to cancel its authority upon completion of the transaction. RCN NY f/k/a Consolidated Edison Communications, Inc. is authorized to provide facilities-based interexchange and local exchange telecommunications services. See Order, I/M/O the Petition For an Order Authorizing Consolidated Edison Communications, Inc. to Provide Local Exchange and Interexchange Telecommunications Services in the State of New Jersey, Docket No. TE00100802 (October 15, 2001). NEON is a facilities-based communications provider, supplying high bandwidth fiber optic capacity and end-to-end telecom services to communications companies and enterprise customers in the mid-Atlantic and Northeast. In New Jersey, NEON is authorized to provide interexchange telecommunications services pursuant to authority granted by the on June 5, 2003 See Order, I/M/O the Petition of NEON Connect, Inc. for Authority to Provide Local Exchange and Interexchange Telecommunications Services in the State of New Jersey, Docket No. TE03030230. RCN NY has approximately 72 customers in New Jersey and NEON currently has approximately 17 customers in New Jersey. Neither RCN NY nor NEON have any employees located in New Jersey.

Yankee Metro, a Delaware corporation is a direct subsidiary of Yankee Metro Partners, LLC a Delaware limited liability company. The principal place of business for Yankee Metro and Yankee Metro Partners is located in Boston, Massachusetts. After consummation of the proposed transaction, Yankee Metro Partners, LLC will be majority owned by ABRY Partners VI, L.P., and ABRY Senior Equity a Delaware limited partnership. ABRY VI, L.P., will hold all the voting interest in Yankee Metro Partners, LLC. ABRY Partners VI, L.P. and ABRY Senior Equity III, L.P. are private equity funds which primarily make privately negotiated equity investments in the media, telecommunications, and information industries. ABRY Partners VI, L.P. and ABRY Senior Equity III, L.P. or other commonly controlled funds (collectively, "ABRY") own cable, telecommunications, and interconnected VoIP providers in the United States.

DISCUSSION

According to the petition, RCN Corporation and Yankee Metro (along with Yankee Cable Acquisition, LLC and Yankee Metro Merger Sub, Inc.) entered into an Agreement and Plan of Merger ("Merger Agreement") on March 5, 2010, for Yankee Metro to acquire control of RCN NY and NEON. The petition states that the Transaction will be accomplished through a series of steps, including various pro forma intracorporate actions that are being completed to allocate certain assets to appropriate RCN Corporation subsidiaries. Following the completion of the pre-acquisition intracorporate reorganization, Yankee Metro will become the owner of all of the stock of RCN Corporation through the merger of Yankee Merger Sub, Inc., a subsidiary of Yankee Metro created specifically for the purposes of this transaction, into RCN Corporation, with RCN Corporation as the surviving corporation. As a result, Yankee Metro will become the ultimate owner of RCN NY and NEON. Yankee Metro will ultimately be majority owned by ABRY Partners VI, L.P. and ABRY Senior Equity III, L.P. with ABRY Partners VI, L.P. will indirectly hold all the voting interests in Yankee Metro.

Petitioners state that following the transaction, RCN NY and NEON will continue to provide service to their existing customers at the same rates, terms and conditions. Petitioners also state that Yankee Metro intends to maintain the current management personnel of RCN NY and NEON following consummation of the transaction.

With this petition, Petitioners are also seeking the approval for RCN NY and NEON to participate in certain financing arrangements. As a result of this transfer of control RCN will be required to participate and provide a guarantee and pledge its assets as security for the financing arrangements upon completion of the acquisition of RCN by Parent. RCN may also

become a borrower under the financing arrangements. Therefore, RCN seeks approval to incur long-term debt obligations of up to \$350 million as a borrower and/or guarantor and to the extent necessary, to encumber its property through the grant of a security interest in its assets in support of those debt obligations. Interest on the financing will be at current market rates. Proceeds from this financing will be used to repay existing RCN Corporation debt arrangements that will become due upon the transfer of control and to pay the purchase price for the transaction. The revolving credit facility will be used for working capital needs. Proceeds may also be used to fund the acquisition of other telecommunications companies and/or telecommunications assets.

Petitioners state that the described transactions will serve the public interest and benefit the telecommunications marketplace in New Jersey. The transfer of control to Yankee Metro will allow the New Jersey operating entities of RCN NY and NEON to strengthen their ability to compete and to offer enhanced telecommunications services within New Jersey. Petitioners also assert that following the proposed transaction, RCN NY and NEON will have the financial support of Yankee Metro (and its majority owners, ABRY Partners VI, L.P. and ABRY Senior Equity III, L.P.). RCN NY and NEON will also have access to the experience of ABRY and its management team and to the operational and technical personnel that Yankee Metro intends to maintain following the consummation of the Transaction. Petitioners further state that the proposed transactions will be transparent to RCN NY and NEON's current customer's in New Jersey, and will have no negative impact on employees as RCN NY or NEON currently have no employees located in New Jersey.

Petitioners also request that upon completion of the transaction RCN TS, which currently does not provide services to any customers in New Jersey, will surrender its authority and rescind all tariffs on file with the Board.

FINDINGS AND CONCLUSIONS

The Board, after thorough review and investigation, and having considered the petition and all related documents submitted in this proceeding, HEREBY FINDS that the transaction will have no negative impact on rates, terms and conditions of service by RCN NY and NEON and RCN NY and NEON will continue to offer the same services under the same rates, terms and conditions as indicated in its filed tariff. Moreover, the Board FINDS that a positive benefit may be expected from RCN NY and NEON's access to additional resources, which would make RCN NY and NEON more attractive providers, and allow them to better compete in the marketplace. Additionally, the Board is satisfied that the transactions will not have an adverse impact on Petitioner's operations in New Jersey.

Accordingly, the Board FINDS that the proposed transfer and related loan transaction are in accordance with law and are in the public interest, and HEREBY ORDERS that the Petitioners are HEREBY AUTHORIZED to consummate the merger as described herein. The Board HEREBY ORDERS that the Petitioners shall notify the Board of the closing of the proposed transactions within 7 days of the consummation of the Transaction. The Board FURTHER ORDERS that this approval will expire if the Transaction is not fully consummated on or before June 31, 2011.

Following the closing of the transaction, RSN TS shall surrender its authority to the Board and in accordance with N.J.S.A. 48:2-59 and 48:2-60 and N.J.S.A. 52:27EE-52, Yankee Metro shall be responsible for the filing of RCN TS's final annual report with the Board, and for the payment of any outstanding assessment liabilities to the Board and to the Division of Rate Counsel.

After review of the proposed financing arrangements described herein, the Board FINDS that the proposed transaction is consistent with the applicable law and the public interest. The Board therefore, approves the purposes thereof. Accordingly, the Board HEREBY AUTHORIZES the Petitioners to provide their guarantee, serve as co-borrowers, or otherwise provide security in connection with financing up to \$350 million.

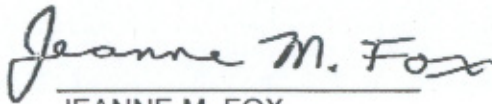
This Order is subject to the following provisions.


1. This Order shall not affect or in any way limit the exercise of the authority of the Board or of the State in any future petition with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters affecting the Petitioners.
2. 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 Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
3. 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: 6/7/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

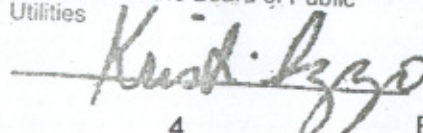

NICHOLAS ASSELTA
COMMISSIONER


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



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Docket No. TF10030202

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