



Agenda Date: 8/18/10
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)	ORDER
DIECA COMMUNICATIONS, INC. d/b/a COVAD)	
COMMUNICATIONS COMPANY AND DSLNET)	
COMMUNICATIONS, LLC FOR APPROVAL TO)	
PARTICIPATE IN CERTAIN FINANCING)	
ARRANGEMENTS)	DOCKET NO. TF10060401

James H. Laskey Esq. Norris, McLaughlin & Marcus 721 Route 202 P.O. Box 5933 Bridgewater,
NJ 08807

BY THE BOARD:

DIECA Communications, Inc. d/b/a Covad Communications Company ("Covad") and DSLnet Communications, LLC ("DSLnet" and together with Covad, "Petitioners") filed a petition with the Board on June 9, 2010 ("Petition"), pursuant to N.J.S.A. 48:3-7 and 48:3-9, for approval to participate in certain financing arrangements whereby CCGI Holding Corp. ("CCGI Holding"), the parent of Covad and the indirect parent of DSLnet will incur long-term debt obligations under a senior and/or subordinated loan facility of up to \$265,000,000 ("Note Facilities"), and a secured revolving credit facility up to \$35,000,000 (the "Revolving Facility" and, together with the Note Facilities, the Financing Facilities") and to encumber Petitioners' property through the grant of a security interest in the assets of Covad and DSLnet in support of the financing arrangements.

CCGI and DSLnet filed an application with the Board seeking approval for the indirect transfer of control of DSLnet to CCGI Docket No. TM10050312. The matter was approved at the Board's August 4, 2010 agenda meeting. The financing arrangements described herein are contingent on the consummation of the transfer of control. Closing of the transfer is expected to occur shortly.

Covad, a Virginia corporation with offices located at 2220 O'Toole Avenue, San Jose California 95131, is a leading nationwide provider of integrated voice and data communications. The company offers DSL, Voice Over IP, T1, Ethernet, Web Hosting, managed security, IP and dial-up wireless broadband, and bundled voice and data services directly through Covad's network and through Internet Service Providers, value-added resellers, telecommunications carriers and affinity groups to small and medium-sized businesses and home users. In New Jersey, Covad is authorized to provide intrastate telecommunications services pursuant to Board authority dated November 4, 1998, in Docket No. TE98060350. Covad is also authorized by the Federal Communications Commission ("FCC") to provide international and domestic interstate telecommunications services as a non-dominant carrier.

DSLnet communications, LLC is a Delaware limited liability company with principal offices located at 50 Barnes Park North, Suite 104, Wallingford Connecticut 06492. In New Jersey, DSLnet is authorized to provide switched and dedicated, facilities based local exchange and interexchange telecommunications services pursuant to authority granted by Board order in Docket No. TE99020066 on August 8, 1999.

Covad's parent, Covad Communications Group Inc. ("CCGI"), is a Delaware corporation with offices located at 2220 O'Toole Ave, San Jose, California 95131. CCGI's parent is CCGI Holding, a Delaware corporation, which in turn is ultimately controlled by Platinum Equity LLC ("Platinum") a privately held Delaware limited liability company. Neither CCGI, CCGI Holding, nor Platinum offers any regulated telecommunications services. CCGI Holding and Platinum have offices located at 360 North Crescent Drive, Beverly Hills, California 90210. Platinum is a global firm specializing in the merger, acquisition and operations of companies that provide services and solutions through a broad range of business markets.

The borrower in the financing arrangements will be CCGI Holding. The proposed financing arrangements will consist of:

1. The Note Facilities, senior and/or subordinated loan facilities in an aggregate principal amount up to \$265,000,000. The interest rate will be determined based on market conditions at the time of closing. The Note Facilities are expected to mature four (4) years from the date of closing. All obligations of CCGI Holding and its subsidiaries under the Financing Facilities are expected to be guaranteed by substantially all the assets of the CCGI Holding, the Petitioners and by all current or future affiliates of CCGI Holding. Covad and DSLnet request approval to grant security interests, as described above, to secure these financing arrangements. The proceeds of the Note Facilities will be used by CCGI Holding on the date of initial borrowing (the "Closing Date"), to refinance the existing debt of the Petitioners, to fund strategic acquisitions, provide working capital, financing capital expenditures, and other general corporate purposes
2. Revolving Facility, a secured revolving credit facility in an aggregate principal up to \$35,000,000. The interest rate will be determined based on market conditions at the time of closing. The proceeds from the Revolving Facility will be used by CCGI Holding from time to time for general corporate purposes.

Covad and DSLnet's participation in the financing arrangements will not result in a change in their management or day-to-day operations; nor will it adversely affect their current or proposed operations in New Jersey.

The financing arrangements described herein will enable CCGI Holding to capitalize its acquisition of Megapath and DSLnet, thereby allowing Covad and DSLnet to secure the benefits attendant to that acquisition, including operational efficiencies, management expertise, and the ability to bring services to new markets and allow more consumers to benefit from its competitive services. The issuance of the notes will not cause a change of control of Covad or DSLnet.

Approval of Covad's and DSLnet's participation in the financing arrangements will serve the public interest in promoting competition among telecommunications carriers by providing CCGI Holding and therefore Covad and DSLnet with the opportunity to strengthen its financial position.

The Division of Rate Counsel has reviewed this matter and by letter dated July 27, 2010 recommended that the Board approve the petition.

After review, the Board FINDS that the proposed transaction is consistent with the applicable law and the public interest. The Board therefore approves the purposes thereof. The Board HEREBY AUTHORIZES Petitioner to participate in the additional 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. The Board's approval is expressly limited to the financing described herein and as more fully described in the Petition and supporting documents.
3. Petitioner 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.
4. Petitioner shall notify the Board of any material default on the terms of the financing arrangement within five (5) business days of such occurrence.
5. 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 Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
6. 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 Petitioner.

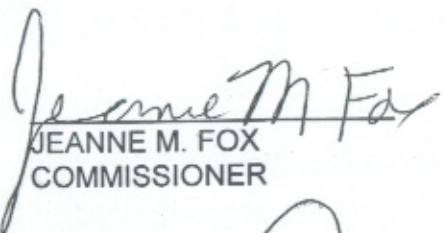
7. The authority granted by this Order shall become null and void and of no effect with respect to any portion of the financial transaction now authorized by the Board that is not exercised by December 31, 2011.

DATED:

8/18/10

BOARD OF PUBLIC UTILITIES
BY:



LEE A. SOLOMON
PRESIDENT

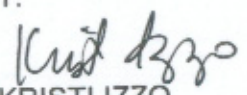
JEANNE M. FOX
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JOSEPH L. FIORDALISO
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NICHOLAS ASSELTA
COMMISSIONER

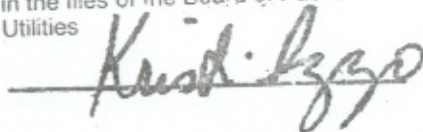
ELIZABETH RANDALL
COMMISSIONER

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



KRISTI IZZO

Service List
In The Matter Of The Verified Petition Of DIECA Communications, Inc. D/B/A Covad
Communications Company And DSLnet Communications, LLC For Approval To
Participate In Certain Financing Arrangements
Docket No. TF10060401

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