



Agenda Date: 8/4/10

Agenda Item: IVA

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.nj.gov/bpu/

TELECOMMUNICATIONS

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| IN THE MATTER OF THE DELTACOM, INC. AND |) | ORDER |
| BUSINESS TELECOM, INC. FOR APPROVAL OF |) | |
| INDEBTEDNESS |) | DOCKET NO. TF10030203 |

D. Anthony Mastando, Vice President Regulatory, ITC DeltaCom, 7037 Old Madison Pike
Huntsville, AL 35806

BY THE BOARD:

On March 19, 2010, pursuant to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9, DeltaCom, Inc. ("DeltaCom") and Business Telecom, Inc. ("BTI") (collectively, "Petitioners") filed a Petition with the Board of Public Utilities ("Board") requesting any and all necessary approvals for DeltaCom and BTI, companies authorized to provide telecommunications service in this State, to enter into certain debt transactions. DeltaCom, BTI and their affiliate, Interstate FiberNet, Inc. ("IFN"), are all subsidiaries of ITC DeltaCom, Inc. ("ITCD").

ITCD is a publicly traded Delaware holding company headquartered in Huntsville, Alabama. Through its certificated subsidiaries, DeltaCom, BTI and IFN, ITCD provides voice and data telecommunications services on a retail basis to primarily business customers in the southern United States, and regional telecommunications transmission services over its network on a wholesale basis to other telecommunications companies.

DeltaCom is incorporated under the laws of the state of Alabama and is qualified to transact business in New Jersey as a foreign corporation. DeltaCom provides resold long-distance services in New Jersey, and received its authority to provide those services in New Jersey on July 19, 1994.

BTI is a wholly owned subsidiary of ITCD, and is organized pursuant to the laws of the state of North Carolina. BTI is a provider of integrated telecommunications services primarily in the southeastern United States, but is authorized to provide long distance and local exchange services throughout New Jersey. BTI received its authority to provide long distance telecommunications services on May 7, 1992, and local exchange services on February 26, 1999. In addition to the services provided to consumers in New Jersey, BTI is authorized by the various state public service commissions to provide facilities-based and/or resold interexchange telecommunications services in the other 49 states and the District of Columbia, pursuant to certification, registration or tariff requirements, or on a deregulated basis.

Additionally, BTI is currently authorized to provide local exchange services in over 20 states, DeltaCom is a wholly-owned subsidiary of IFN, which in turn, is wholly-owned by ITCD.

In the March 19, 2010 filing, Petitioners sought authority to enter, within the next two (2) years, into various debt financing arrangements including, but not limited to, transactions to amend, restate, and/or refinance long-term debt, to incur new long-term debt to finance capital expenditures or acquisitions, and to obtain funding for general corporate purposes and working capital, up to an amount totaling \$500 million. The exact amounts and terms of each financing transaction or related arrangement, which may be completed in multiple tranches, will not be finalized until the specific arrangement(s) have been completed or shortly before funding of the various transactions, and will reflect market conditions then existing. Some of the terms, such as the interest rate, may fluctuate during the term of the financing due to changes in market condition and the financial condition of ITCD.

On May 19, 2010 the company sent a letter to the Board explaining that on April 9, 2010 ITCD closed a private offering of \$325 million aggregate principal amount of 10.5% Senior Secured Notes due in 2016 and a \$30 million Revolving Credit Facility which was undrawn at closing. The proceeds were used to repay approximately \$305.5 million of debt, including accrued interest under the Company's existing credit facilities.

After a discussion with the company, they filed an amended petition requesting *nunc pro tunc* approval for the April 9, 2010 transaction described above. The Company explained that the transaction met a number of important goals for ITCD, including enabling the Company to extend the maturities of its debt, increasing its total liquidity from approximately \$70 million to \$100 million, achieving certainty in regard to its future debt expense, and improving the Company's operational flexibility to pursue strategic alternatives. In order for ITCD to capture the small window of market conditions favorable to such arrangements the Company was forced to consummate the transaction when it had the opportunity to do so on April 9, 2010.

Petitioners assert that the transaction has served the public interest by ensuring that operational needs are funded, and that the Petitioners have sufficient liquidity. Petitioners further state that the transaction will directly benefit consumers by enabling ITCD and the Petitioners to continue to provide telecommunications services at competitive rates in New Jersey, and by facilitating the continued provision of innovative, high-quality telecommunications services to the public, thereby promoting competition in the telecommunications service market.

The Division of Rate Counsel has reviewed this matter and, by letter dated April 28, 2010, recommended that the Board approve this Petition subject to the requirement that any financing entered into during the term of the approval be reported to the Board and Rate Counsel upon completion of the transaction.

After review, the Board HEREBY FINDS that except for not having obtained prior Board approval, that the transaction is consistent with the applicable law, is in the public interest and approves the purposes thereof. The Board must note, however, that closing prior to receipt of the Board's approval put the entire transaction at risk, as failure to receive Board approval renders a financing such as this void. N.J.S.A. 48:3-7(a). The company, as well as the financial community, is thus placed on notice that the Board does not look favorably upon seeking Board permission after the fact. Nevertheless, the Board HEREBY AUTHORIZES, on a *nunc pro tunc* basis, effective April 9, 2010, DeltaCom and BTI to participate in the financing arrangements described herein.

This Order is issued subject to the following conditions:

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. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner.
3. Petitioner shall file semiannually file statements for the amounts, and use of the credit facilities pursuant to N.J.A.C. 14:1-5.9 (b).
4. Petitioners shall notify the Board of any material default on the terms of the Agreements 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 Petitioners' 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 Petitioners.

DATED: 8/4/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

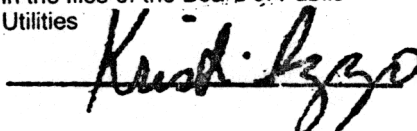

NICHOLAS ASSELTA
COMMISSIONER


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



**In the Matter of the Petition of DeltaCom, Inc. and Business Telecom, Inc. for Nunc Pro
Tunc Approval of Indebtedness**

DOCKET NO. TF10030203

SERVICE LIST

Mark Beyer, Chief Economist
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Stefanie A. Brand, Esq.,
Director
Division of Rate Counsel
31 Clinton Street - 11th Floor
P.O. Box 46005
Newark, New Jersey 07101

D. Anthony Mastando, Vice
President Regulatory
ITC DeltaCom
7037 Old Madison Pike
Huntsville, AL 35806

Robert Wojciak
Office of the Economist
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102

Jose Rivera-Benitez, Esq.
Division of Rate Counsel
31 Clinton Street - 11th Floor
P.O. Box 46005
Newark, New Jersey 07101

Benjamin W. Bronston
Nowalsky, Bronston & Gothard
6300 West Loop South, Suite 395
Bellaire, TX 77401

Anthony Centrella, Director
NJ Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102