



Agenda Date: 4/27/11
Agenda Item: IVC

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center, Suite 801
Newark, NJ 07102
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF) ORDER
BUSINESS TELECOM, INC., NEW EDGE NETWORKS,)
INC., CTC COMMUNICATIONS CORP., CONVERSENT)
COMMUNICATIONS OF NEW JERSEY, LLC AND)
LIGHTSHIP TELECOM, LLC FOR APPROVAL TO)
PARTICIPATE IN VARIOUS FINANCING)
TRANSACTIONS) DOCKET NO. TF11030153

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

BY THE BOARD:

On March 22, 2011, Business Telecom, Inc. ("BTI"), New Edge Networks, Inc. ("New Edge") (BTI and New Edge collectively, the "EarthLink Entities"), CTC Communications Corp. ("CTC"), Conversent Communications of New Jersey, LLC ("Conversent") and Lightship Telecom, LLC ("Lightship") (CTC, Conversent and Lightship collectively, the "ONE Entities") (the EarthLink Entities and ONE Entities collectively, the "Petitioners"), filed a petition pursuant to N.J.S.A. 48:3-9 and N.J.S.A. 48:3-7 requesting approval from the New Jersey Board of Public Utilities ("Board"), to the extent necessary, to participate in proposed financing arrangements contemplated by EarthLink, Inc. ("EarthLink"), the ultimate corporate parent of the Petitioners.¹

EarthLink is a publicly traded Delaware corporation with a principal business office in Atlanta, Georgia and is a provider of Internet Protocol (IP) and telecommunications infrastructure and services to businesses, enterprise organizations and individual customers across the United States. New Edge, BTI, CTC, Conversent and Lightship are non-dominant carriers authorized to provide resold and/or facilities-based telecommunications services in New Jersey. In addition, EarthLink has another subsidiary, DeltaCom, Inc., that provides resold telecommunications services in New Jersey.

Petitioners request Board approval to participate in the proposed new financing arrangements in an aggregate amount of up to \$600 million as guarantors and/or borrowers for the proposed new financing arrangements and, in the case of BTI and CTC, to pledge the equity they own in their respective Virginia operating companies Business Telecom of Virginia, Inc., and CTC of

¹As described in Docket No. TM10120959, EarthLink recently acquired control of the ONE Entities as a result of EarthLink's then-proposed acquisition of their current ultimate parent company, One Communications Corp. ("ONE") (the "EarthLink-ONE Transaction"). The EarthLink-ONE Transaction was consummated on April 1, 2011.

Virginia, Inc. While Petitioners do not currently anticipate having to make any other pledges in support of the financing, they also request Board approval to pledge their assets as security in order to retain the flexibility to negotiate such terms should they be required.

The exact amounts and terms including interest rates and maturities of the proposed new financing arrangements will not be priced and otherwise finalized until shortly before closing, and will reflect market conditions then existing.

The funding providers may be banks, financial institutions, private lending institutions, private individuals, and/or other institutions, either individually or as a syndicate or other type of consortium. The financing arrangements may be secured or unsecured notes or debentures, conventional credit facilities, such as revolving credit facilities and term loans, letters of credit, and bridge loans.

Some and perhaps all of the financing arrangements are expected to be secured by a security interest in substantially all of the equity held by EarthLink and its current and future subsidiaries in their respective subsidiaries, including a security interest in the equity held by BTI in its subsidiary Business Telecom of Virginia, Inc. and, the equity held by CTC in its subsidiary CTC of Virginia, Inc. The equity of each Petitioner is also expected to be pledged as security. Each Petitioner (in addition to some or all of the other subsidiaries of EarthLink) may provide guarantees of a portion or all EarthLink's obligations under the financing arrangements or may be borrowers or co-borrowers under the arrangements. Petitioners do not currently anticipate that the financings will require any pledges of their operating assets. However, in order to maintain flexibility to negotiate the specific terms of the notes and facilities and to avoid any delay and the burden on the Board's resources that would result from additional approval procedures if such pledges are required, Petitioners also seek Board approval to pledge their assets as security for the proposed financing arrangements described above.

The proceeds may be used to refinance or repay debt of EarthLink and its current and future subsidiaries, fund planned capital expenditures, and pay dividends. Proceeds may also be used to fund future acquisitions, including paying for the capital stock, other equity interests, or assets of the acquired business and/or to refinance the debt of the acquired business in connection with the acquisition, as well as pay for transaction costs. Proceeds also may be available to finance working capital and other general corporate purposes.

By taking advantage of favorable financing instruments, Petitioners state that EarthLink will be able to undertake network improvements and increase its ability to provide broadband and other services. These benefits indirectly benefit Petitioners and, ultimately, will benefit their respective customers in New Jersey. Petitioners anticipate that their participation in the debt financing arrangements described herein will ultimately strengthen the ability of the Petitioners to enhance their service offerings, and provide more advanced telecommunications services to a broader customer base to the benefit of New Jersey consumers and the State's telecommunications marketplace.

Petitioners' participation in the financing arrangements described herein will not involve a transfer of authorizations, assets or customers of any Petitioner. Petitioners' participation will be transparent to their respective customers in New Jersey. Petitioners will continue to provide services to their respective New Jersey customers with no changes in the rates or terms and conditions of service as currently provided.

The Division of Rate Counsel has reviewed this matter and, by letter dated April 6, 2011, recommends the Board approve this petition.

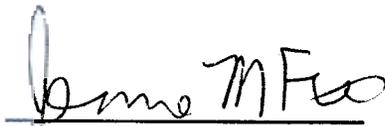
The Board, having reviewed the record and determined that the requested transaction is in accordance with law and the purpose thereof is approved by the Board, **HEREBY APPROVES** the requested transaction. This Order is issued subject to the following provisions:

- 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 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 Petitioners.
- 3 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.
- 4 The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before May 1, 2013.

DATED: 4/27/11

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

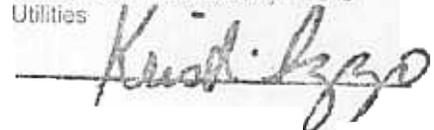

JOSEPH L. FIORDALISO
COMMISSIONER


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 Petition
Of Business Telecom, Inc., New Edge Networks, Inc., CTC Communications Corp.,
Conversent Communications of New Jersey, LLC and Lightship Telecom, LLC
For Approval To Participate In Various Financing Transactions**

Docket No. TF11030153

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