



STATE OF NEW JERSEY
Board of Public Utilities
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www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF)
ZAYO GROUP, LLC, FOR APPROVAL OF A PRO) ORDER
FORMA CHANGE IN INDIRECT OWNERSHIP) DOCKET NO. TM14070787

Parties of Record:

Dennis C. Linken, Esq., Scarinci & Hollenbeck, LLC, on behalf of Petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On July 23, 2014, Zayo Group, LLC (“Zayo” or “Petitioner”), by its counsel and pursuant to N.J.S.A. 48:2-51.1, and the Regulations of the Board of Public Utilities (“Board”), filed a verified petition with the Board requesting approval, to the extent required, of a pro forma change in indirect ownership of Zayo (the “Pro Forma Change”) that will occur in connection with an initial public offering (“IPO”) by Zayo Group Holdings, Inc. (“Holdings”), Petitioner’s direct holding company. The pro forma change, which will remove Zayo’s current indirect holding company from the Holdings and Zayo ownership structure by assigning its owner’s equity interests to Holdings and offering a portion of the Holdings equity to the public, is not expected to result in any new equity owners who will hold 10 percent or more indirect ownership in Petitioner. Following the proposed Pro Forma Change, Petitioner will continue to offer the same services in New Jersey at the same rates, terms, and conditions.

BACKGROUND

Zayo is a Delaware limited liability Company with principal offices located in Louisville, Colorado. Zayo is a direct subsidiary of Holdings, a Delaware corporation which is wholly owned by Communications Investment, LLC (“CII”) which has no majority owner. According to the petition, Zayo is a provider of bandwidth infrastructure and network neutral collocation and interconnection services over regional and metropolitan fiber networks. Zayo’s services are primarily used by wireless service providers, national and regional carriers and other communications providers, media and content companies, and certain bandwidth-intensive enterprises. Zayo holds authorization to provide intrastate telecommunications services in 42 states and the District of Columbia. In New Jersey, Zayo is authorized to provide local exchange and interexchange telecommunications services. See Order, In the Matter of the Petition of Zayo Group, LLC for

Approval to Provide Local Exchange, InterExchange and Exchange Access Telecommunications Services Throughout the State of New Jersey, Docket No. TE11020049 dated May 16, 2011. Additional information of Zayo can be found in that Order.

DISCUSSION

As described in the petition, in connection with the planned IPO of Holdings, CII will be eliminated from the ownership chain between Holdings and the ultimate investors/owners of the company. As a result of the pro forma change, Holdings will become the ultimate parent company of Zayo rather than an intermediate parent company and the current owners of CII will have a direct rather than indirect ownership interest in Holdings. The petition states that the pro forma change is not expected to result in any new equity owners to hold 10 percent or more indirect ownership in Petitioner.

In evaluating this petition, the Board must be satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1; N.J.A.C. 14:1-5.14(c). Also, under N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board is required to determine whether the public utility or a wholly owned subsidiary thereof may be unable to fulfill its pension obligations to any of its employees.

The Petitioner states that the proposed pro forma change will be entirely transparent to Zayo's customers and will not result in any change to the services received by customers, including rates, terms and conditions of service. Petitioner asserts that the pro forma change will provide Holdings and CII with greater flexibility for equity transactions, including the IPO, as well as other corporate and financial transactions, which will strengthen Zayo's financial qualifications. Petitioner also states that the pro forma change is not expected to have any adverse impact on New Jersey employees.

The New Jersey Division of Rate Counsel has reviewed this matter and, by letter dated August 6, 2014, states that it does not object to Board approval of the Petition.

FINDINGS AND CONCLUSIONS

After a thorough review of the petition and all related documents, the Board concludes that there will be no negative impact on rates or service quality since Zayo's¹ New Jersey customers will continue to receive the same services at the same rates, through the same assets, provided by the same employees and under the same terms and conditions. Also, the Board is satisfied that positive benefits will flow to customers based on the record presented by Petitioner as the transaction will strengthen Petitioner's competitive posture in the telecommunications market. In addition, the Board is persuaded that Petitioner will make every effort to minimize any potential adverse impact to employees in New Jersey.

Accordingly, the Board **FINDS** that the pro form change will have no material impact on the rates of current customers, or on employees. The Board also **FINDS** that the transactions will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the record and

¹ This order was originally issued with the company's name inadvertently listed as AboveNet in this location. The error has been corrected and the order now accurately states the company name as Zayo. This is the only change that was made.

exhibits submitted in this proceeding, the Board **FINDS** that the proposed transaction is in accordance with the law and in the public interest, and **HEREBY ORDERS** that Petitioner shall notify the Board of the closing of the proposed transaction within 7 days of consummation.

This Order shall be effective October 10, 2014.

DATED: 9/30/14


BOARD OF PUBLIC UTILITIES
BY:


DIANNE SOLOMON
PRESIDENT

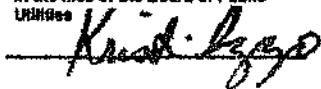

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

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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FOR APPROVAL OF A PRO FORMA CHANGE IN INDIRECT OWNERSHIP
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