



Agenda Date: 12/17/14
Agenda Item: IVA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION OF) ORDER
NETWORK BILLING SYSTEMS, LLC FOR)
APPROVAL TO PARTICIPATE IN ADDITIONAL)
FINANCING ARRANGEMENTS OF)
FUSION NBS ACQUISITION CORP.) DOCKET NO. TF14111285

Parties of Record:

Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel
James H. Laskey, Esq., Norris, McLaughlin & Marcus, P.A., for the Petitioner

BY THE BOARD:

On November 10, 2014, Network Billing Systems, L.L.C. ("NBS" or "Petitioner") submitted a Verified Petition to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and 48:3-9 requesting Board approval to participate in additional financing arrangements of its parent company, Fusion NBS Acquisition Corp. ("FNAC").

NBS is a New Jersey limited liability company with a principal office located at 155 Willowbrook Boulevard, Wayne, New Jersey 07470. NBS is a wholly owned subsidiary of FNAC, a Delaware corporation. FNAC is a direct wholly owned subsidiary of Fusion Telecommunications International, Inc. ("Fusion" and together with each of its subsidiaries, the "Company"), a publicly-held Delaware corporation (NASDAQ: FSNN) with principal offices located at 420 Lexington Avenue, Suite 1718, New York, New York 10170. The Company provides digital voice and data communications services to businesses primarily in the United States and also digital voice services to carriers worldwide. Its business service offerings include Hosted Voice over Internet Protocol and Session Initiated Protocol Trunking, and other enhanced communications services and features.

In New Jersey, NBS is authorized to provide local exchange and interexchange telecommunications services. See I/M/O the Petition of Network Billing Systems, L.L.C. for Approval to Provide Local Exchange and Interexchange Telecommunications Services Throughout the State of New Jersey, Docket No. TE08070466, Order dated September 15, 2008. NBS is also authorized by the Federal Communications Commission to provide domestic and international telecommunications services. Additional information concerning NBS's legal,

technical, managerial, and financial qualifications has been submitted to the Board with various prior submissions with respect to NBS's certification and prior transactions¹ and is therefore a matter of public record. Petitioner requested that the Board take official notice of these descriptions of NBS's qualifications and that they be incorporated by reference. In support of its financial qualifications, NBS provided as Exhibit A to the Petition, the Company's consolidated financial statements (excluding the notes) from Fusion's most recent SEC Form 10-Q.

Consistent with the Board's Order issued in Docket No. TM12060511, FNAC issued notes in the amount of \$16.5 million (the "Original Notes") in order to fund its acquisition of NBS. Upon closing of that transaction, NBS provided a guaranty and related pledge of assets as security for the Original Notes. Consistent with the Board's Order issued in Docket No. TF14010102, NBS provided a guaranty and related pledge of assets as security for additional notes in the aggregate amount of \$25.5 Million to fund the acquisition of certain assets and customers from Cypress Communications, LLC and BroadvoxGo!, LLC² (the "Additional Notes" together with the Original Notes, the "Existing Notes").

By its Petition, NBS requested authority to provide a guaranty for, and related pledge of assets in support of, additional financing arrangements undertaken by FNAC in connection with the acquisition of PingTone Communications, Inc. (the "PingTone Acquisition").³ Specifically, on October 31, 2014, FNAC issued new notes in the aggregate amount of \$5 million (the "New Notes" and together with the Existing Notes, the "Notes") in order to fund the PingTone Acquisition. The Notes mature on October 31, 2019⁴ and have an interest rate of 11.15%. The Notes are secured with a first priority lien on substantially all of the assets of FNAC and its subsidiaries and a second lien on certain assets of Fusion; however, the lien on the New Jersey assets of NBS for the New Notes is not effective until receipt of approval from this Board. Additionally, Fusion and the other subsidiaries of FNAC also provided a guaranty as security for the Notes; however, the guaranty by NBS for the New Notes is not effective until receipt of the necessary regulatory approvals, including approval from this Board.

In order to maintain flexibility to respond to market conditions and requirements, NBS has requested approval to participate as a borrower or guarantor and by providing a pledge of its assets as security for financing arrangements that are consistent with the parameters outlined in its Petition. Specifically, NBS sought Board approval to incur debt and pledge its assets as security for, up to an aggregate amount of up to \$47 million (which includes the \$42 million previously authorized by the Board). Petitioner indicated that it expects that any long-term indebtedness incurred as part of the financing arrangements will mature up to eight years after issuance, depending on the type of debt instrument. Interest rate(s) will be set according to market conditions at issuance and will be fixed or floating, or a combination thereof, with floating rates consisting of a base rate plus an agreed-upon margin. Some or all of the expanded financing arrangements would be secured with security interests in some or all of the assets of the Company, including NBS. Further, Fusion and its current and future subsidiaries, including NBS, may provide a guaranty as security for all or part of the full amount in financing

¹See Docket Nos. TM14060541 (BroadvoxGo! transaction), TF14010102 (additional financing), TM12060511 (acquisition of NBS and financing), and TE08070466 (NBS certification).

²See Docket No. TM14060541.

³PingTone Communications, Inc. is an interconnected Voice over Internet Protocol provider that does not provide or hold authorization to provide intrastate telecommunications services in any state. The PingTone Acquisition was completed on October 31, 2014.

⁴The maturity date of the Existing Notes was extended to October 31, 2019 in conjunction with the New Notes.

arrangements to the extent such entity is not a borrower. The financing arrangements may be used to fund acquisitions, for working capital requirements, and for other types of general corporate purposes.

Petitioner emphasized that approval of the financing arrangements would serve the public interest. Petitioner stated that the financing arrangements provided the Company with access to the financial resources necessary to complete the PingTone Acquisition, which would allow the Company to become a more effective competitor to larger incumbent telecommunications providers. Petitioner asserts that the financing arrangements are necessary and appropriate, are consistent with the performance by NBS of its services to the public, would not impair NBS's ability to perform such services, and would promote the corporate purposes of the Company.

The Division of Rate Counsel has reviewed this matter and, by letter dated November 17, 2014, stated that it does not object to approval of the Petition.

After careful review of this matter, the Board **FINDS** that the proposed transaction will not have a negative impact on competition, the rates of current customers, or New Jersey employees. Therefore, after investigation and consideration of the record and information submitted in this proceeding, the Board **FINDS** that the expanded financing arrangements are in accordance with the law and in the public interest, and **HEREBY AUTHORIZES** Petitioner to participate in the financing arrangements up to an aggregate amount of \$47 million, and to take those actions necessary to effectuate such financing arrangements.

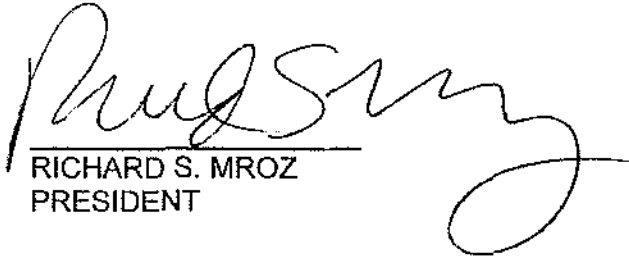
This Order is issued subject to the following provisions:

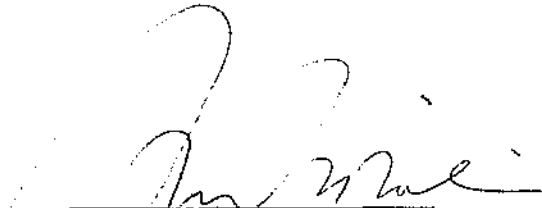
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. Petitioner shall notify the Board, within five business days, of any material changes in the proposed financing and shall provide complete details of such transactions, including any anticipated effects upon service in New Jersey.
3. Petitioner shall notify the Board of any material default in the terms of the proposed financing within five business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
5. 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.

This Order will be effective December 26, 2014.

DATED: 12/17/14

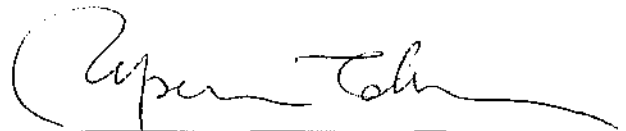
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

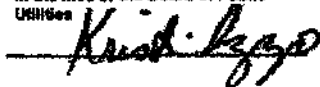

DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
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 Verified Petition of Network Billing Systems, LLC for
Approval to Participate in Additional Financing Arrangements of
Fusion NBS Acquisition Corp.

DOCKET NO. TF14111285

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