Agenda Date: 3/18/16
Agenda Item: IVA

STATE OF NEW JERSEY

Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED JOINT PETITION OF ONVOY, LLC, BROADVOX-CLEC, LLC AND GTCR ONVOY HOLDINGS LLC FOR APPROVAL FOR ONVOY, LLC AND BROADVOX-CLEC, LLC TO PARTICIPATE IN CERTAIN FINANCING ARRANGEMENTS	)	ORDER DOCKET NO. TF16010040

Parties of Record:

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

BY THE BOARD:

On January 14, 2016, Onvoy, LLC ("Onvoy"), Broadvox-CLEC, LLC ("BV-CLEC," and together with Onvoy, "Licensees"), and GTCR Onvoy Holdings LLC ("Transferee") (collectively, "Petitioners") 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 for Licensees to participate in financing arrangements in an aggregate amount of up to $150 million (the "Financing Arrangements").[1]

BACKGROUND

Onvoy is a Minnesota limited liability company with a principal office at 10300 6th Avenue North, Plymouth, Minnesota 55441. Onvoy is currently a direct, wholly owned subsidiary of Communications Infrastructure Investments, LLC ("CII"). Onvoy has provided telecommunications services since 1988. Onvoy provides primarily wholesale local exchange and long distance services, switched access, transit and other services to other carriers and communications providers. Onvoy is authorized to provide intrastate telecommunications services in the District of Columbia and in every U.S. state except Alaska, Arkansas (application pending), Hawaii, Mississippi, Tennessee and Vermont (application pending). In New Jersey, Onvoy is authorized to provide resold and facilities-based local exchange, interexchange, exchange access and private line telecommunications services pursuant to Board authorization

[1] The Financing Arrangements are being undertaken in connection with the transfer of control of Licensees to Transferee (the "GTCR Transaction"). A Joint Petition requesting approval of the GTCR Transaction was simultaneously filed in Docket No. TM16010041.

granted in I/M/O Onvoy, Inc. Petition for Authority to Provide Local Exchange, Exchange Access, Interexchange and Private Line Telecommunications Services Throughout the State of New Jersey, Docket No. TE13100935, Order dated December 18, 2013. Onvoy is also authorized by the FCC to provide domestic and international telecommunications services.

BV-CLEC is a Delaware limited liability company with a principal office at 75 Erieview Plaza, Suite 400, Cleveland, Ohio 44114. BV-CLEC is a direct, wholly owned subsidiary of Onvoy. BV-CLEC provides access to the public switched telephone network, telephone numbers and other functionalities to its VoIP-provider affiliate, Broadvox, LLC ("BV-LLC"). In New Jersey, BV-CLEC is authorized to provide: (1) local exchange telecommunications services pursuant to the Order issued by the Board in I/M/O the Petition of Broadvox-CLEC, LLC for Approval to Provide Local Exchange Telecommunications Services Throughout the State of New Jersey, Docket No. TE09020172, Order dated April 27, 2009; and (2) resold interexchange and local exchange services pursuant to its Authorized Resale Carrier Letter of Acknowledgement dated February 25, 2009. BV-CLEC is also authorized by the FCC to provide domestic and international telecommunications services.

DISCUSSION

Petitioners seek Board approval to increase the Licensees' existing authority for financing arrangements up to an aggregate amount of $150 million.[2] Petitioners expect that any long-term indebtedness incurred as part of the financing will mature up to ten years after issuance, depending on the type of debt instrument. Interest rate(s) will be set according to market conditions at issuance and may be fixed or floating, or a combination thereof, depending on the type of debt. Some or all of the Financing Arrangements may be secured facilities, which may include a grant of a security interest in the assets of Onvoy and its current and future subsidiaries. A portion of the Financing Arrangements may be unsecured facilities. For the secured facilities, the equity of Onvoy and its current and future subsidiaries may be pledged as additional security. Additionally, Onvoy's current and future subsidiaries, including BV-CLEC, may provide a guaranty as security for the full $150 million in Financing Arrangements. The financing arrangements may be used for acquisitions-including the purchase price for the GTCR Transaction and refinancing Onvoy's outstanding indebtedness-refinancing of current balance, working capital requirements and other general corporate purposes of the company.

In order to maintain adequate flexibility, Petitioners seek authority for Licensees to incur debt, as a borrower, co-borrower or guarantor, and pledge their assets as security for the Financing Arrangements in an aggregate amount of $150 million materially consistent with the parameters outlined above.

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[2] On August 19, 2015, the Board authorized Licensees to enter into financing arrangements with an aggregate amount of $75 million, with flexibility within that aggregate amount to negotiate particular market-based terms within the range described in its petition. See I/M/O the Verified Joint Petition of Onvoy, LLC, the Broadvox Holding Company, LLC, and Broadvox-CLEC, LLC, for Approval of: (1) the Transfer of Control of Broadvox-CLEC, LLC to Onvoy, LLC, (2) Onvoy, LLC to Expand its Financing Arrangements; and (3) Broadvox-Clec, LLC to Participate in the Existing and Future Financing Arrangements of Onvoy, LLC, Docket No. TF15060723, Order dated August 19, 2015. Licensees currently participate in financing arrangements with an outstanding principal amount of approximately $59.5 million.

In the joint petition, the Petitioners state that the Financing Arrangements are an important part of the GTCR Transaction, which itself is in the public interest. Petitioners stated that the Financing Arrangements will provide Licensees with access to greater financial resources that will allow Licensees to be more effective competitors to larger telecommunications providers. Petitioners assert that the Financing Arrangements are necessary and appropriate, are consistent with the performance by Licensees of their services to the public, will not impair Petitioners' ability to perform such services, and will promote their corporate purposes.

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 New Jersey employees. Petitioners have indicated that Licensees do not have any employees in New Jersey. Furthermore, approval of the Financing Arrangements will serve the public interest in promoting competition among telecommunications carriers by providing Licensees with access to greater financial resources that will allow them to become more effective competitors. The Financing Arrangements and the use of the proceeds associated therewith are appropriate. Petitioners assert that the Financing Arrangements will be transparent to the customers of licensees and will not disrupt service or cause customer confusion or inconvenience. While there is no guarantee in this regard, especially given the competitive environment in which Licensees operate, the Board is satisfied that the transactions will not have an adverse impact on Licensees' operations in New Jersey.

The New Jersey Division of Rate Counsel has reviewed this matter and, by letter dated February 23, 2016, stated that it does not object to approval of the Petition.

FINDINGS AND CONCLUSIONS

After careful review of this matter, the Board **FINDS** that the proposed Financing Arrangements 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 financing arrangements are in accordance with the law and in the public interest, and **HEREBY AUTHORIZES** Licensees to participate in financing arrangements up to an aggregate amount of $150 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 Licensees.
2. Petitioners 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. Petitioners 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 documents shall not constitute an automatic transfer of Licensees' 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 Petitioners.

This order shall be effective on March 28, 2016.

DATED: 3-18-16

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:

IRENE KIM ASBURY
SECRETARY

I 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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DOCKET NO. TF16010040

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