



Agenda Date: 11/21/17
Agenda Item: IVB

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 PETITION OF)
EXTENET SYSTEMS, INC. FOR APPROVAL TO) ORDER
EXPAND ITS AUTHORITY TO PARTICIPATE IN)
FINANCING ARRANGEMENTS) DOCKET NO. TF17091000

Parties of Record:

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

BY THE BOARD:

On September 21, 2017, ExteNet Systems, Inc. ("ESI" 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 for ESI to participate in financing arrangements in an aggregate amount of up to \$750 million.

BACKGROUND

ESI is a privately-held, Delaware corporation and a wholly owned direct subsidiary of Odyssey Acquisition, LLC ("Odyssey"), a Delaware limited liability company.¹ ESI has an executive office at 3030 Warrenville Rd., Suite 340, Lisle, Illinois 60532. ESI or one of its subsidiaries is authorized to provide services in the District of Columbia and 42 states and operates distributed networks in Alabama, Arizona, California, Colorado, Connecticut, Delaware, the District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington and Wisconsin. In New Jersey, ESI is authorized to provide local exchange and

¹ Odyssey is an indirect, wholly owned subsidiary of Mount Royal Holdings, LLC, a Delaware limited liability company. Mount Royal Holdings, LLC is primarily owned by the following private equity firms: Digital Bridge Small Cell Holdings, LLC; Stonepeak Communication Holdings LLC; Delta-v Capital MRH LP and Vertical Towers Holdings, LLC.

interexchange services pursuant to authority granted by Order dated April 13, 2006, in Docket No. TE05121059.²

DISCUSSION

ESI seeks Board approval to expand its authority to enter into, or to otherwise participate in, new, amended, and restated financing arrangements up to an aggregate amount of \$750 million, including the \$475 million previously authorized.³ Long-term indebtedness incurred will mature up to ten years after issuance, depending on the type of debt instrument and market conditions. Interest rates 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, including a grant of a security interest in the assets of ESI and its subsidiaries. The equity of ESI and its subsidiaries may be pledged as additional security. Additionally, ESI and its parent and subsidiaries may provide a guaranty as security for some or all of the financing arrangements used for acquisitions, refinancing of their current outstanding debt, working capital requirements and the general corporate purposes of ESI and its subsidiaries. In order to maintain adequate flexibility, Petitioner seeks authority for ESI to incur debt as borrower, co-borrower or guarantor and pledge its assets as security for up to \$750 million consistent with the parameters outlined above.

Petitioner contends that Board authorization of the financing arrangements will provide ESI access to greater financial resources that will allow ESI to become a more effective competitor in the communications industry. Petitioner states that among other things, the financing arrangements may be used for acquisitions, to deploy additional communications infrastructure, to provide for ongoing working capital and for other corporate purposes. Petitioner claims that the financing arrangements are necessary and appropriate, are consistent with the performance by ESI of its services to wireless carriers to improve their services provided directly to the public, will not impair its ability to perform such services, and will promote its corporate purposes. Petitioner indicates that ESI has ten employees in New Jersey. Petitioner further states it does not offer an employee pension plan, but that its employees do have other retirement benefits that they will retain upon completion of the financing arrangements. While N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10 require the Board 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, the lack of an employee pension plan reflects there is no negative impact on employee pensions.

² The authorization was granted in the name of ClearLinx Network Corporation, which subsequently changed its name to ExteNet Systems, Inc. See Order, In the Matter of the Petition of ClearLinx Network Corporation for Approval to Provide Local Exchange and Interexchange Telecommunications Services Within the State of New Jersey, Docket No. TE05121059 (April 13, 2006).

³ See Order, In the Matter of the Verified Joint Petition of Odyssey Acquisition, LLC and Extenet Systemes, Inc. for Approval (1) of the Transfer of Indirect Control of Extenet Systems, Inc. to Odyssey Acquisition, LLC and (2) for Extenet Systems, Inc. to Participate in Certain Financing Arrangements, Docket No. TM15080862 (October 15, 2015).

The Division of Rate Counsel has reviewed this matter and, by letter dated October 24, 2017, stated that it does not oppose approval of the Petition. Financing under favorable market conditions and restructuring of existing credit facilities and long-term debt enables Petitioner to continue to expand networks and enhance quality services to New Jersey customers.

Board Staff review indicates that the financing arrangements and the use of the proceeds associated therewith are appropriate. While there is no guarantee in this regard, especially given the competitive environment in which ESI operates, the financing arrangements do not appear to adversely impact ESI's operations in New Jersey.

FINDINGS AND CONCLUSIONS

After careful review of this matter, the Board **FINDS** that the expanded financing arrangements are in accordance with the law and in the public interest, and **HEREBY AUTHORIZES** ESI to incur debt as borrower, co-borrower or guarantor and pledge its assets as security up to an aggregate amount of \$750 million, thus expanding its existing authority by \$275 million, and to take those actions necessary to effectuate such financing arrangements.

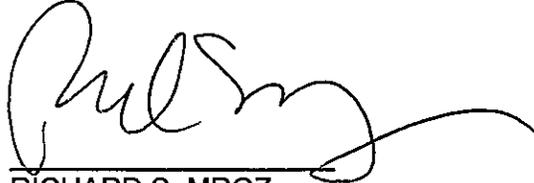
This Order is issued subject to the following provisions:

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 ESI.
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 documents shall not constitute an automatic transfer of ESI'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 ESI.

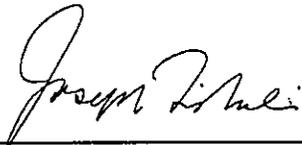
This Order shall become effective on November 27, 2017.

DATED: 11/21/17

BOARD OF PUBLIC UTILITIES
BY:



RICHARD S. MROZ
PRESIDENT



JOSEPH L. FIORDALISO
COMMISSIONER



MARY-ANNA HOLDEN
COMMISSIONER

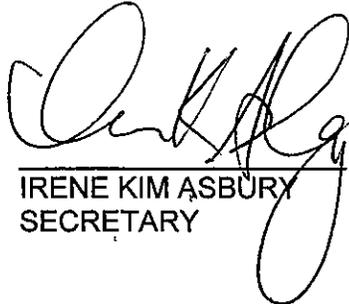


DIANNE SOLOMON
COMMISSIONER



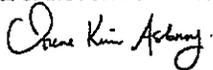
UPENDRA J. CHIVUKULA
COMMISSIONER

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



**IN THE MATTER OF THE VERIFIED PETITION OF EXTENET SYSTEMS, INC. FOR
APPROVAL TO EXPAND ITS AUTHORITY TO PARTICIPATE IN CERTAIN FINANCING
ARRANGEMENTS - DOCKET NO. TF17091000**

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