



Agenda Date: 6/18/14
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)
ZAYO GROUP, LLC FOR APPROVAL TO EXPAND) ORDER
ITS FINANCING ARRANGEMENTS) DOCKET NO. TF14050401

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 May 1, 2014, Zayo Group, LLC ("Zayo" 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 the Board to expand Zayo's existing Board approval for financing arrangements by \$550 Million to an aggregate amount of up to \$3.82 Billion.

Zayo is a Delaware limited liability company with principal offices at 1805 29th Street, Boulder, Colorado 80301. Zayo is a wholly owned direct subsidiary of Zayo Group Holdings, Inc., a Delaware corporation, which in turn is a wholly owned direct subsidiary of Communications Infrastructure Investments, LLC ("CII"), a Delaware limited liability company. CII has no majority owner.

Zayo is a provider of bandwidth infrastructure and network neutral colocation and interconnection services over regional and metropolitan fiber networks. These services enable customers to manage, operate, and scale their telecommunications and data networks. Zayo's customers consist primarily of wireless service providers, national and regional telecommunications carriers and other communications service providers, media and content companies, schools, hospitals, governments, banks and other bandwidth-intensive enterprises.

In New Jersey, Zayo is authorized to provide local exchange and interexchange telecommunications services. See I/M/O 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, Order dated May 16, 2011. Zayo is also authorized by the Federal Communications Commission to provide domestic and international telecommunications services. Additional information concerning Zayo's legal, technical, managerial and financial qualifications has been submitted to the Board with various prior submissions with respect to Zayo's certification and various transactions and is therefore a

matter of public record. The Board therefore takes official notice of these descriptions of Zayo's qualifications and incorporates them herein by reference. In support of its financial qualifications, Petitioner provided a copy of its consolidated financial statements (excluding notes) from its most recent SEC Form 10-Q.

The Board has previously authorized Zayo to enter into financing arrangements in an aggregate amount of \$3.27 Billion. Specifically, in Docket No. TF12070668 on January 29, 2014, the Board authorized Zayo to borrow and pledge its assets as security up to an aggregate amount of \$3.27 Billion with flexibility within that aggregate amount to negotiate particular market-based terms within the range described in its petition. By this Petition, Zayo now seeks to increase this existing Board authority by \$550 Million for an aggregate amount of \$3.82 Billion in financing arrangements.

Petitioner expects that any long-term indebtedness incurred as part of the proposed expanded financing arrangements will mature up to eight years after issuance. 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 will be secured with security interests in the assets of Zayo and its current and future subsidiaries and with a guaranty from Zayo's current and future subsidiaries. The financing arrangements may be used for acquisitions, working capital requirements, and other types of general corporate purposes.

The Petitioner emphasizes that approval of the expanded financing arrangements will serve the public interest in promoting competition among telecommunications carriers by providing Petitioner with access to greater financial resources that will allow Zayo to become a more effective competitor to larger incumbent telecommunications providers. Specifically, the Petitioner states that the increased financing arrangements may be used to fund future acquisitions, to support strategic growth initiatives, to provide for ongoing working capital, and for the Petitioner's general corporate purposes. The Petitioner therefore asserts that the financing arrangements are necessary and appropriate, are consistent with the performance by Petitioner of its services to the public, will not impair the ability of Petitioner to perform such services, and will promote the corporate purposes of the Petitioner. The Petitioner also emphasizes that the financing will be transparent to customers and will not disrupt service or cause customer confusion or inconvenience.

The Division of Rate Counsel has reviewed this matter and, by letter dated May 5, 2014, stated that it did not object to Board approval of the Petition.

After review of this matter, the Board **FINDS** that the proposed transaction and the expanded financing arrangements are in accordance with law and in the public interest, and **HEREBY AUTHORIZES** Petitioner to expand its existing financing arrangements by \$550 Million up to an aggregate amount of \$3.82 Billion, and to take those actions necessary to effectuate such financing arrangements.

This Order is issued subject to the following provisions:

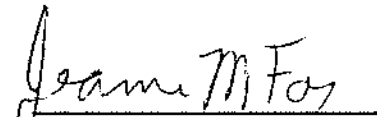
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matter affecting Petitioner.

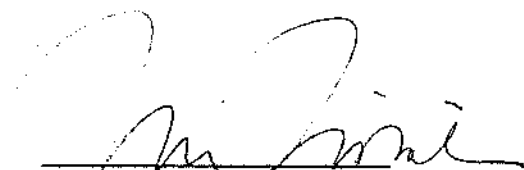
2. Petitioner shall notify the Board, within five business days, of any material changes in the proposed financing and shall provide complete details of such transactions, including any anticipated effects upon service in New Jersey.
3. Petitioner shall notify the Board of any material default in the 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.
6. This Order shall become effective upon the earlier of (a) five (5) days after the date hereof, or (b) the receipt by the Board of a Certification by or on behalf of Petitioner that (i) it has received a copy of this Order and that (ii) a copy of this Order has been hand-delivered to Rate Counsel or delivered to Rate Counsel via overnight delivery service.

DATED: 6/18/14

BOARD OF PUBLIC UTILITIES
BY:



DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
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 ZAYO GROUP, LLC
FOR APPROVAL TO EXPAND ITS FINANCING ARRANGEMENTS

DOCKET NO. TF14050401

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