



Agenda Date: 02/22/17  
Agenda Item: IVA

**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**44 South Clinton Avenue, 3<sup>rd</sup> Floor, Suite 314**  
**Post Office Box 350**  
**Trenton, New Jersey 08625-0350**  
**[www.nj.gov/bpu/](http://www.nj.gov/bpu/)**

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED JOINT PETITION ) ORDER  
OF COMMUNICATIONS SALES & LEASING, INC. AND )  
PEG BANDWIDTH NJ, LLC AND TALK AMERICA )  
SERVICES, LLC FOR APPROVAL OF A PRO FORMA )  
CHANGE IN INDIRECT OWNERSHIP ) DOCKET NO. TM16121136

**Parties of Record:**

**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel  
**James H. Laskey, Esq., Norris, McLaughlin & Marcus, P.A.**, on behalf of Petitioners

**BY THE BOARD:**

On December 1, 2016, PEG Bandwidth NJ, LLC (“PEG Bandwidth Licensee”) and Talk America Services, LLC (“TAS”) (collectively, “Licensees”) and Communications Sales & Leasing, Inc. (“CS&L”) (CS&L and Licensees, collectively “Petitioners”), submitted a verified Petition (“Petition”) to the New Jersey Board of Public Utilities (“Board) pursuant to N.J.S.A. 48:2-51.1, requesting Board approval for Petitioners to complete a pro forma change in indirect ownership that will result in a change in the intermediate holding company structure between Licensees and CS&L, with no change in the ultimate owners of the company. By letter filed with the Board on December 21, 2016, Petitioners supplemented its petition to include the transfer of TAS within the CS&L corporate organizational structure to become a direct subsidiary of CS&L. These proposed pro forma changes and the pro forma transfer in ownership are collectively referred to as the transaction. Following the proposed transaction, Licensees will continue to offer the same services in New Jersey at the same rates, terms, and conditions.

**BACKGROUND**

CS&L, a Maryland corporation headquartered at 10802 Executive Center Drive, Benton Building, Suite 300, Little Rock, Arkansas 72211, is a publicly-traded real estate investment trust that engages in the acquisition and construction of infrastructure in the telecommunications industry. Prior to April 24, 2015, CS&L was a wholly-owned subsidiary of Windstream Services, LLC, a wholly-owned subsidiary of Windstream Holdings, Inc. (together with its subsidiaries, “Windstream”). On April 24, 2015, Windstream contributed to CS&L certain telecommunications network assets, in certain states, including fiber and copper networks and other real estate through a sale-lease back transaction, and then spun off CS&L to Windstream stockholders.

CS&L (and its subsidiaries) now operates as an independent, publicly-traded company, and leases telecommunications network assets and property to Windstream for Windstream's business operations. CS&L does not provide services, however it owns and operates numerous licensed telecommunications providers in all states and the District of Columbia, except Alaska, California and Hawaii. In New Jersey, CS&L's subsidiaries, PEG Bandwidth Licensee and TAS, are authorized to provide facilities-based and resold local telephone services in New Jersey. See In the Matter of the Petition of PEG Bandwidth NJ, LLC for Approval to Provide Local Exchange and Interexchange Telecommunications Services throughout the State of New Jersey, Docket No. TE12040317, Order dated August 15, 2012 and In the Matter of the Verified Petition of Talk America Services, LLC for Authority to Provide Facilities-Based Local Exchange and Interexchange Telecommunications Services in the State of New Jersey, Docket No. TE14111290, Order dated December 17, 2014.

## **DISCUSSION**

By the Petition, two new entities, New LP LLC and New OP LP, will be inserted in the corporate organizational structure ownership chain between CS&L the parent, and its current direct subsidiaries, CSL Capital, LLC and Uniti Holdings GP, LLC. As a result of the transaction, CSL Capital, LLC and Uniti Holdings GP, LLC will become wholly-owned subsidiaries of New OP, LP. CS&L will become a 99% equity interest holding general partner of New OP LP, while New LP LLC will become an initial 1% equity interest holding limited partner of New OP LP. New LP LLC will be wholly-owned by CS&L. TAS, an indirect subsidiary of CS&L, will be transferred to become a direct, wholly-owned subsidiary of CS&L. Furthermore, the petition states the pro forma change will not change the ultimate ownership of the Licensees by CS&L or any Licensee services, rates, or terms and conditions of those services including the day-to-day operations or services of TAS, thus customers will not be affected.

Pursuant to N.J.S.A. 48:2-51.1(a), the Board shall evaluate the impact of an acquisition of control of a public utility on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates. 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 as set forth above. N.J.A.C. 14:1-5.14(c). Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility, or a wholly owned subsidiary thereof, may be unable to fulfill its pension obligations to any of its employees.

Petitioners assert that the transaction will be transparent to customers, as the Licensees will continue to provide service to their customers, and the change is not expected to result in any discontinuance, reduction, loss or impairment of service, as Licensee operations will continue to be overseen by the same management team.

By letter to the Board dated December 23, 2016, the New Jersey Division of Rate Counsel advised that it has no objection to the Board's grant of Petitioners' request under the Verified 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 by Petitioners since New Jersey customers will continue to receive the same services at the same rates and under the same

terms and conditions. Also, the Board is satisfied that positive benefits will flow to customers based on the record, the transaction will strengthen the competitive posture of Petitioners in the telecommunications market, and the reorganization will result in a corporate structure that will enable Petitioners to more efficiently achieve potential operational, administrative and strategic objectives.

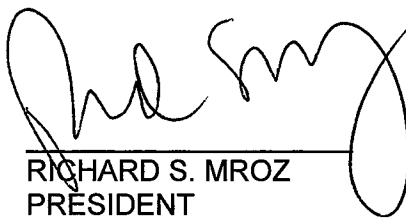
Accordingly, the Board **FINDS** that the proposed transaction is consistent with the applicable law, is not contrary to the public interest and will have no material impact on the rates of current customers, or on New Jersey employees. The Board also **FINDS** that the proposed transaction will have no impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the record and exhibits submitted in this proceeding, the Board **HEREBY AUTHORIZES** Petitioners to complete the proposed transaction.

This Order shall be effective March 4, 2017.

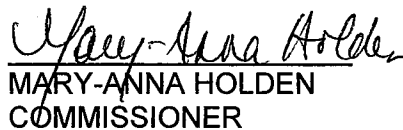
DATED:

2/22/17

BOARD OF PUBLIC UTILITIES  
BY:

  
RICHARD S. MROZ  
PRESIDENT

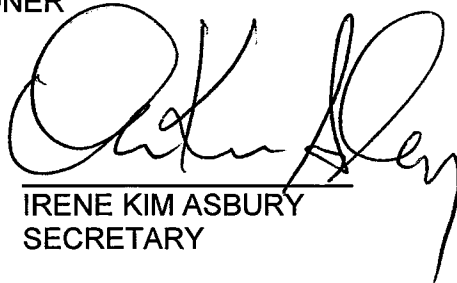
  
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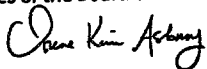
  
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ATTEST:

  
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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