



Agenda Date: 1/18/12
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
INTELEPEER, INC. FOR APPROVAL TO)
PARTICIPATE IN A FINANCING ARRANGEMENT) DOCKET NO. TF11120858

Parties of Record:

Dennis C. Linken, Esq., Scarinci Hollenbeck, for the petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

IntelPeer, Inc. (“IntelPeer” or “Petitioner”) filed a petition with the Board on or about December 7, 2011 (“Petition”), pursuant to N.J.S.A. 48:3-7 and 48:3-9, for approval to participate in a financing arrangement whereby IntelPeer intends to issue promissory notes in the amount of Fifteen Million Dollars (\$15,000,000.00). IntelPeer, Inc. is organized under the laws of the State of Delaware and was formed on October 31, 2008, with principal offices located at 2855 Campus Drive, Suite 200, San Mateo, CA, 94403.

In New Jersey, IntelPeer is authorized to provide facilities-based and resold local exchange and interexchange services pursuant to authority granted by the Board in Docket No. TE09110897 on March 17, 2010. IntelPeer is also authorized by the Federal Communications Commission to provide international and domestic interstate telecommunications services as a non-dominant carrier.

The promissory notes are expected to mature on February 1, 2014.¹ The interest rate for the promissory notes is expected to be 6% per year. In consideration for the financing, IntelPeer will also issue warrants with a five (5) year expiration, which can be converted into stock of the company.² IntelPeer intends to use the proceeds from the promissory notes for working

¹Based on market conditions, the term of the financing arrangements may be set to mature on the date that is 364 days after the closing date, provided that upon receipt of the requisite regulatory approvals the maturity dates for the financing arrangements will be extended to the expected term of February 1, 2014.

²IntelPeer has clarified that the issuance of the warrants will not result in a transfer of control because the warrants do not create a voting or equity interest in the company, but rather the possibility of conversion in the future into shares of stock. The number of warrants issued, on a converted basis, will

capital and for other permissible general corporate purposes. The notes will be unsecured, and subordinated to the existing debt arrangements of IntelPeer's existing creditors.

The Petitioner states that approval of the financing arrangements will serve the interest in promoting competition among telecommunications carriers by providing IntelPeer with the opportunity to strengthen its competitive position through access to greater financial resources.

Furthermore, by increasing the breadth and scope of telecommunications services made available through an increased ability to expand IntelPeer's operations, greater access to capital will also strengthen IntelPeer's ability to bring competitive telecommunications services to consumers in the State of New Jersey. Petitioner emphasizes that participation in the financing arrangement will not result in a change in IntelPeer's management or in its day-to-day operations. Likewise, Petitioner states that the financing transaction 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 December 20, 2011 stated that it has no objection to the approval of this Petition.

The Staff's review indicates that the proposed financing transaction is in accordance with law and that the use of the proceeds associated therewith is appropriate. While there is no guarantee in this regard, especially given the competitive environment in which Petitioner operates, the Board is satisfied that the transaction will not have an adverse impact on Petitioner's operations in New Jersey.

After review, the Board FINDS that the proposed transaction is consistent with the applicable law and the public interest. The Board therefore approves the purposes thereof. The Board HEREBY AUTHORIZES Petitioner to participate in the financing arrangement described herein.

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 the Petitioner.
2. Petitioner shall notify the Board, within five (5) business days, of any material changes in the financing arrangement 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 financing arrangement within five (5) business days of such occurrence.

also be a small fraction of the company's overall equity ownership. Nonetheless, IntelPeer will seek Board approval of any transfer of control that may result from an exercise of the warrants to the extent the warrants are ever exercised in a manner that would trigger the Board's transfer of control approval requirements.

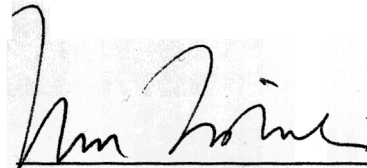
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 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.

DATED: 1/18/12

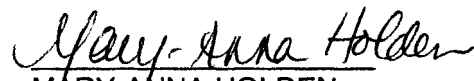
BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

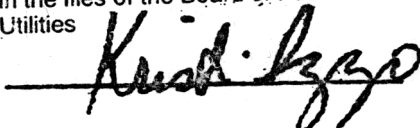

NICHOLAS ASSELTA
COMMISSIONER


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
Intelepeer, Inc. For Approval To Participate In A Financing Arrangement
DOCKET NO. TF11120858**

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