



Agenda Date: 1/31/18
Agenda Item: IVC

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) ORDER
OF ZAYO GROUP, LLC AND NORTHEASTERN ITS,)
LLC FOR APPROVAL FOR NORTHEASTERN ITS,)
LLC TO PARTICIPATE IN CERTAIN FINANCING)
ARRANGEMENTS) DOCKET NO. TF171121282

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 December 11, 2017, Zayo Group, LLC (“Zayo”) and Northeastern ITS, LLC (“Northeastern”) (together with Zayo, the “Petitioners”) submitted a Verified Joint Petition to the New Jersey Board of Public Utilities (“Board”) pursuant to N.J.S.A. 48:3-7 and 48:3-9, requesting authority for Northeastern to participate in certain financing arrangements following completion of the transfer of indirect control of Northeastern to Zayo.¹

BACKGROUND

Zayo is a direct, wholly owned subsidiary of Zayo Group Holdings, Inc. (“Holdings”), a publicly traded Delaware corporation (NYSE: ZAYO). The corporate headquarters of Zayo and Holdings is located at 1805 29th St., Suite 2050, Boulder, Colorado 80301. Zayo is a provider of bandwidth infrastructure and network neutral colocation and interconnection services over regional and metropolitan fiber networks. Zayo’s primary telecommunications service offerings include high-capacity bandwidth services such as private line, Ethernet, wavelength and higher services. Zayo is authorized to provide competitive local exchange, competitive access and/or interexchange in the District of Columbia and every state except Alaska and Hawaii. In New Jersey, Zayo is authorized to provide local exchange and interexchange telecommunications services pursuant to Board authorization. See, I/M/O the Petition of Zayo Group, LLC for

¹ A separate petition requesting Board approval of the transfer of control of Northeastern to Zayo was filed on December 11, 2017. See, I/M/O the Verified Joint Petition of Zayo Group, LLC and Spread Holdings, LLC and Northeastern ITS, LLC for Approval of the Transfer of Indirect Control of Northeastern ITS, LLC to Zayo Group, LLC, BPU Docket No. TM17121281 (Jan. 31, 2018). The participation of Northeastern in the financing arrangements is not a condition for closing.

Approval to Provide Local Exchange, Interexchange and Exchange Access Telecommunications Services throughout the State of New Jersey, Docket No. TE11020049 (May 16, 2011). Zayo is also authorized by the Federal Communications Commission to provide domestic and international telecommunications services.

Northeastern is a limited liability company organized under the laws of the Commonwealth of Pennsylvania, with principal offices located at 800 Woodlands Parkway, Suite 205, Ridgeland, Mississippi 39157. Northeastern is an indirect, wholly owned subsidiary of Spread Holdings, LLC, and is authorized to provide telecommunications service in New Jersey, Ohio and Pennsylvania. It currently does not provide intrastate telecommunications services except in Pennsylvania where it provides at most a *de minimis* amount of intrastate telecommunications services. In New Jersey, Northeastern is authorized to provide facilities-based and resold local exchange, interexchange and carrier exchange telecommunications service pursuant to Board authority. See, I/M/O the Petition of Northeastern ITS, LLC for Approval to Provide Local Exchange and Interexchange Telecommunications Services throughout the State of New Jersey, Docket No. TE09030225 (April 27, 2009).

DISCUSSION

Pursuant to an Agreement and Plan of Merger, dated as of November 26, 2017, by and among Zayo, SNMS, LLC, Spread Holdings, and Barksdale, in its capacity as the Unitholder Representative, Zayo will acquire all of the outstanding equity interests in Spread Holdings. Northeastern will remain an indirect subsidiary of Spread Holdings and Northeastern will become an indirect, wholly owned subsidiary of Zayo. Following closing on the merger transactions, Northeastern intends to participate in financing arrangements involving Zayo and its affiliates.

Petitioners seek approval for Northeastern to participate in certain financing arrangements up to an aggregate amount of \$7.5 billion.² Petitioners expect that any long-term indebtedness incurred as part of the financing will mature up to ten years after issuance. Interest rate(s) will be set according to market conditions at issuance and may 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 financing arrangements may be secured facilities, which may include a grant of a security interest in the assets of Zayo and its current and future subsidiaries, including Northeastern. Additionally, Zayo's current and future subsidiaries, including Northeastern, may provide a guaranty as security for the full aggregate amount of the financing arrangements. The financing arrangements may be used for acquisitions, including the merger transactions, refinancing existing debt, and providing for working capital requirements and other types of general corporate purposes. In order to maintain adequate flexibility, Petitioners seek authority for Northeastern to incur debt, as borrower, co-borrower or guarantor and pledge its assets as security for financing arrangements up to an aggregate amount of \$7.5 billion consistent with these parameters.

² The Board previously authorized Zayo to enter into, or participate in, financing arrangements with an aggregate amount of \$7.5 billion, 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 Petition of Zayo Group, LLC for Approval to Expand its Financing Arrangements, BPU Docket No. TF16100937 (Nov. 30, 2016). Zayo currently participates in financing arrangements with an outstanding unsecured principal amount of approximately \$3.98 billion.

According to the petition, the financing arrangements will serve the public interest by promoting competition among telecommunications carriers by providing access to greater financial resources that will allow Zayo and its subsidiaries, including Northeastern, to become more effective competitors to larger telecommunications providers. The financing arrangements may be used to fund some or all of the purchase price for the merger and future acquisitions, to support strategic growth initiatives, and to provide for ongoing working capital and other corporate purposes. Petitioners contend the financing arrangements are necessary and appropriate, are consistent with the performance by Petitioners of their services to the public, will not impair their ability to perform such services and will promote their corporate purposes. Petitioners assert the financing arrangements will be transparent to the 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 21, 2017, stated that it does not oppose the Board's grant of the request.

FINDINGS AND CONCLUSIONS

After review of this matter, the Board **FINDS** that Northeastern's participation in the financing arrangements is in accordance with law and in the public interest, and it will have no negative impact on the company, rates, customers, or New Jersey employees. Therefore, after investigation and consideration of the record and information submitted in this filing, the Board **HEREBY AUTHORIZES** Northeastern to participate in the financing arrangements up to an aggregate amount of \$7.5 billion and to take those actions necessary to effectuate such financing arrangements.

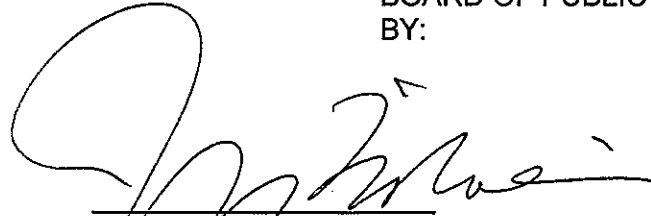
This Order is issued subject to the following provisions:

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 matters affecting Petitioners.
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 Petitioners' 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 Petitioners.

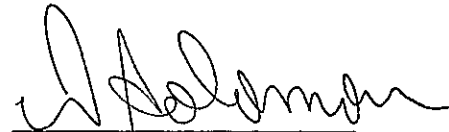
This Order shall become effective on February 10, 2018.

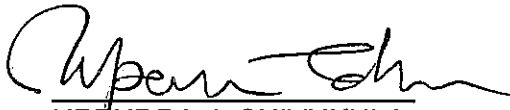
DATED: 1/31/18

BOARD OF PUBLIC UTILITIES
BY:



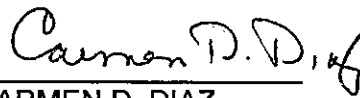
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COMMISSIONER

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UPENDRA J. CHIVUKULA
COMMISSIONER

RICHARD S. MROZ
COMMISSIONER

ATTEST: 

CARMEN D. DIAZ
ASSISTANT BOARD 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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NORTHEASTERN ITS, LLC FOR APPROVAL FOR NORTHEASTERN ITS, LLC TO
PARTICIPATE IN CERTAIN FINANCING ARRANGEMENTS
DOCKET NO. TF17121282**

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