



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

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

OFFICE OF CABLE TELEVISION
AND TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED PETITION)
OF 11:11 SYSTEMS, INC. FOR GRANT OF THE)
AUTHORITY TO COMPLETE A TRANSACTION)
RESULTING IN A CHANGE OF CONTROL AND)
TO PARTICIPATE IN CERTAIN FINANCING)
ARRANGEMENTS)
ORDER
DOCKET NO. TM21091151

Parties of Record:

Brian O. Lipman, Esq., Director, New Jersey Division of Rate Counsel
Andrew M. Klein, Esq., Klein Law Group, on behalf of Petitioner

BY THE BOARD:

On September 30, 2021, 11:11 Systems, Inc. (“11:11 Systems or “Petitioner”) submitted a Verified Petition (“Petition”) with the New Jersey Board of Public Utilities (“Board”) pursuant to N.J.S.A. 48:2-51.1, N.J.S.A. 48:3-7, N.J.S.A. 48:3-9, and N.J.S.A. 48:3-10, requesting that the Board grant authority to consummate a financial transaction whereby the ownership and control of 11:11 Systems will be transferred (“Transaction”). Petitioner is also seeking approval of a related financing arrangement. Following closing of the Transaction, the same services will continue to be offered in New Jersey at the same rates, terms, and conditions to customers.

BACKGROUND

11:11 Systems is a privately-held corporation organized under the laws of the State of Delaware with its principal place of business located in Fairfield, New Jersey. 11:11 Systems is majority-owned by CSP Investment Group I, LLC, a Delaware limited liability company, and minority-owned by JoeMax Telecom, LLC, a New Jersey limited liability company, along with other minority investors. The current ownership of 11:11 Systems resulted from an earlier transaction approved by the Board.¹ 11:11 Systems is authorized to provide local exchange and interexchange

¹See In the Matter of the Verified Petition of 11:11 Systems, Inc. and Engine Communications Infrastructure, Inc. for Grant of Authority to Complete a Series of Transactions Resulting in the Transfer of Control of Two Authorized Carriers, Docket No. TM20210049 (March 24, 2021).

telecommunications services in New Jersey.² Its service offerings include fiber-based ring and point-to-point dedicated (private line) transport services and alternative broadband solutions.

DISCUSSION

According to the Petition, 11:11 Systems has agreed to complete a transaction whereby direct ownership in Petitioner will change from its current ownership to being a wholly-owned subsidiary of 11:11 Holdco LP (“11:11 Holdco”), a limited partnership organized under the laws of Delaware, with a principal place of business in Fairfield, New Jersey. Formed for purposes of the Transaction, 11:11 Holdco’s equity would be majority-owned by TIP 1111 Investments LP (“TIP 1111”), a limited partnership organized under the laws of Delaware, with a principal place of business in New York, New York, and minority-owned by other shareholders that include the current shareholders of 11:11 Systems.

TIP 1111 is a vehicle formed for the purposes of investing in 11:11 Holdco, and is owned by affiliated investment vehicles managed by Tiger Infrastructure Partners LP (“Tiger”), a middle-market private equity firm based in New York and London. Tiger invests in energy transition, transportation, and communications infrastructure businesses and related sectors. The Petition states that, following the Transaction, 11:11 Systems’ Board of Directors will be comprised of four (4) board members, three (3) of which will be chosen by Tiger and the fourth held by 11:11 Systems’ current CEO. The Petition avers that there will be no change to 11:11 Systems’ current management team as a result of the Transaction.

The Petition affirms that, although the proposed Transaction will result in a change in control of 11:11 Systems, the Transaction will not adversely affect any of the customers who receive services from 11:11 Systems or affect the rates for services offered by 11:11 Systems in New Jersey. The Petition also notes the Transaction will not affect the ability of 11:11 Systems to satisfy any pension obligations since it does not have a pension plan. The Petition asserts that the Transaction will provide 11:11 Systems and its subsidiaries with access to capital from new funding sources by bringing in new equity investors that will provide capital infusion to enhance and expand the company’s businesses and service offerings.

In connection with the Transaction, 11:11 Systems also seeks Board approval to enter into or participate in new financing arrangements for a \$30 million term loan and \$3 million revolver facility (“Financing”). 11:11 Systems states that long-term indebtedness incurred as part of the Financing will mature up to five (5) years after issuance. The rate of interest for the term loan will be LIBOR + 6%, and the pro forma leverage will be less than 4 times debt/EBITDA. The Petition states that the Financing will be secured by a first priority perfected security interest in substantially all existing or after-acquired assets of 11:11 Systems, such that 11:11 Systems seeks authorization to provide security interests in its assets for the full amount of the Financing. The Financing will be used in large part, along with the new private equity capital infusion referenced above, for 11:11 Systems’ acquisition of a non-regulated third-party entity that provides cloud and security services. The Petition asserts that the combined copy will provide network connectivity, cloud and security services to enterprise customers, where all regulated services will continue to be provided by 11:11 Systems.

² See In the Matter of the Petition of 11:11 Systems, Inc. for Approval to Provide Competitive Local Exchange and Intrastate Interexchange Telecommunications Services Throughout the State of New Jersey, Docket No. TE20070481 (September 23, 2020)

Petitioner states that both the Transaction and Financing will serve the public interest in promoting competition among telecommunications carriers by providing access to greater financial resources that will allow 11:11 Systems to become a more effective competitor in the communications industry, which will have a favorable impact on competition, rates and employment in New Jersey. The Petition states that the Transaction is expected to be virtually transparent in terms of the operations of 11:11 Systems, and that the proposed changes in ownership of 11:11 Systems will not inconvenience, confuse or otherwise harm customers since 11:11 Systems will continue to provide service to existing customers at the same rates and under the same terms as prior to the Transaction. Similarly, the Petition avers that the proposed Financing will be entirely transparent to customers, while providing 11:11 Systems with greater financial resources that will enhance the company's ability to provide high-quality telecommunications services, thereby invigorating competition and benefiting consumers.

The New Jersey Division of Rate Counsel submitted comments by letter dated October 27, 2021 stating it does not oppose a Board grant of approval, following the Board's determination that the contemplated Transaction yields positive benefits to New Jersey customers and is in the public interest.

FINDINGS AND CONCLUSIONS

In considering a request for transfer of control, the Board shall evaluate the impact of the acquisition 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. N.J.S.A. 48:2-51.1(a). 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; 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. And, pursuant to N.J.S.A. 48:3-9, the Board shall approve a request to issue debt when satisfied that such issue is to be made in accordance with law and for a valid purpose.

After careful review of this matter, the Board **FINDS** that the Transaction and Financing are consistent with the applicable law, are 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 Transaction and Financing 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** Petitioner to complete the proposed Transaction and to take those actions necessary to effectuate the Financing.

This Order is issued subject to the following provisions:

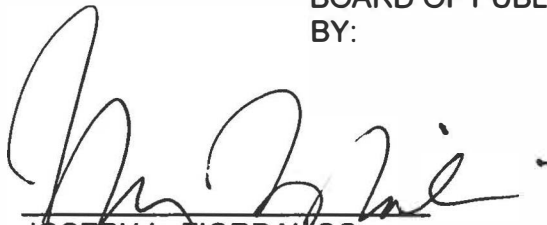
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting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

This Order shall be effective November 24, 2021

DATED: November 17, 2021

BOARD OF PUBLIC UTILITIES
BY:



JOSEPH L. FIORDALISO
PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST: 

AIDA CAMACHO-WELCH
SECRETARY

IN THE MATTER OF THE VERIFIED PETITION OF 11:11 SYSTEMS, INC. FOR GRANT OF
THE AUTHORITY TO COMPLETE A TRANSACTION RESULTING IN A CHANGE OF
CONTROL AND TO PARTICIPATE IN CERTAIN FINANCING ARRANGEMENTS

DOCKET NO. TM21091151

SERVICE LIST

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