

NEW APPLICATION



BEFORE THE ARIZONA CORPORATION COMMISSION

2006 JUN -2 P 4: 09

COMMISSIONERS

JEFF HATCH-MILLER – Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF)	T-02438B-06-0375	—
GLOBAL CROSSING)	T-02761B-06-0375	—
TELECOMMUNICATIONS, INC.; GLOBAL)	T-03658A-06-0375	—
CROSSING NORTH AMERICAN NETWORKS,)	T-03539A-06-0375	—
INC.; GLOBAL CROSSING LOCAL)		
SERVICES, INC.; GLOBAL CROSSING)		
TELEMANAGEMENT, INC.; APPROVAL TO)		
ENCUMBER ASSETS IN CONNECTION WITH)		
NEW FINANCING)		

APPLICATION

Global Crossing Telecommunications, Inc., Global Crossing North American Networks, Inc., Global Crossing Local Services, Inc. and Global Crossing Telemanagement, Inc. (collectively, the “Companies” or “Applicants”), by their attorneys, hereby respectfully request approval from the Arizona Corporation Commission (“Commission”) to provide their guarantee, serve as borrowers or co-borrowers, or to otherwise provide security in connection with financings of up to \$200 million being arranged for their parent company, Global Crossing North America, Inc. (“Parent”) (Parent and the Companies, together the “Borrowers”). The Companies request this authority pursuant to Section 40-285 of the Arizona Revised Statutes and R14-2-804(B)(1) of the Arizona Administrative Code to the extent it may be necessary.¹ In support of this Application, the Companies provide the following information:

¹ Although the Companies are seeking any necessary approval for their participation in this financing transaction, the Companies are doing so without prejudice to their right to assert

I. THE APPLICANTS

Global Crossing Telecommunications, Inc. is a Michigan corporation; Global Crossing North American Networks, Inc. is a New York corporation; Global Crossing Local Services, Inc. is a Delaware corporation; Global Crossing Telemanagement, Inc. is a Wisconsin corporation. The Companies are wholly-owned subsidiaries of Parent, a Delaware corporation, which is in turn a wholly-owned subsidiary of Global Crossing Limited, an exempt company with limited liability organized under the laws of Bermuda (the Companies, Parent, and Global Crossing Limited, collectively "Global Crossing"). The Companies and Parent are headquartered at 1080 Pittsford-Victor Road, Pittsford, New York 14534. Global Crossing Limited is headquartered at Wessex House, 1st Floor, 45 Reid Street, Hamilton HM 12, Bermuda, (441) 296-8600.

Global Crossing provides telecommunications solutions over the world's first integrated global IP-based network. Its core network connects more than 300 major cities in 29 countries worldwide, and delivers services to more than 600 cities in 60 countries and six (6) continents around the globe. Global Crossing offers a full range of managed data and voice products to 36 percent of the Fortune 500, as well as 700 carriers, mobile operators and ISPs. Parent's subsidiaries are authorized to provide telecommunications services in all 50 states and the District of Columbia.

In Arizona, the Companies are authorized to provide intrastate telecommunications services pursuant to Certificates of Convenience and Necessity granted by the Commission in Decision Nos. 54505 (Global Crossing Telecommunications); 60143 (Global Crossing North American Networks); 61213 (Global Crossing Telemanagement, Inc.); and 61622 (Global

that this transaction is beyond the jurisdiction of the state commissions. *See, e.g., State ex rel. Utils. Comm'n v. S. Bell Tel. & Tel.*, 207 S.E.2d 772, *aff'd* 217 S.E.2d 543 (N.C. 1975).

Crossing Local Services).² Global Crossing Local Services provides facilities based competitive local exchange services to approximately 46 business customers in the Phoenix metro area.

Global Crossing Local Services has invested in a switch and in facilities for intrastate telecommunications and also provides intrastate services through resale arrangements with other carriers. Global Crossing Telecommunications, Inc. is a long distance carrier that provides voice and data service to business customers throughout the United States and in Arizona. Global Crossing Telemanagement is a reseller of long distance telephone services.

The Companies are also authorized by the Federal Communications Commission ("FCC") to provide interstate telecommunications services. In addition, Global Crossing Telecommunications, Inc. and Global Crossing North American Networks, Inc. are authorized by the FCC to provide international telecommunications service. Additional information regarding Global Crossing's legal, technical, managerial and financial qualifications to provide service is available to the Commission in the CC&N dockets applicable to each entity.

II. DESIGNATED CONTACTS

The designated contacts for questions concerning this Application are:

Joan S. Burke
Osborn Maledon P.A.
2929 North Central, Suite 2100
Phoenix, AZ 85012
Telephone: (602) 640-9356
Facsimile: (602) 640-6074
Jburke@omlaw.com

Joan M. Griffin
Melissa S. Conway
Kelley Dye & Warren LLP
3050 K Street, N.W., Suite 400
Washington, D.C. 20007
Telephone: (202) 342-8400
Facsimile: (202) 342-8452
JGriffin@kelleydrye.com
MConway@kelleydrye.com

² See Docket U-2438-84-101, Decision 54505, May 1, 1985; Docket U-2761-96-134, Decision 60143, April 17, 1997; Docket T-03539A-98-0149, Decision 61213, October 29, 1998; Docket T-03658A-98-0653, Decision 61622, April 1, 1999.

Copies of any correspondence should also be sent to the following designated

representative of the Companies:

Michael J. Shortley, III
Vice President & General Counsel
Global Crossing North America, Inc.
1080 Pittsford-Victor Road
Pittsford, New York 14534
Telephone: (585) 255-1429
Facsimile: (585) 381-6781
michael.shortley@globalcrossing.com

III. DESCRIPTION OF THE TRANSACTION

The Companies propose that Parent and/or the Companies obtain up to \$200 million through one or more financing arrangements with banks, other financial institutions and/or other types of investors (the "Financings"). Current proposed Financings include a \$55 million revolving senior credit facility from a commercial bank (the "Commercial Bank"). The Borrowers may obtain other Financings in the future.

The exact amounts and terms of each Financing, which may be completed in multiple tranches, will not be finalized until the specific arrangement(s) have been completed or shortly before funding of the various transactions, and will reflect the market conditions then existing. Some of the terms, such as interest rate, may fluctuate during the term of the Financing due to changes in market conditions and the financial condition and/or the performance of the Borrowers. The terms of each Financing is expected to be substantially as follows:

Funding Providers: The funding providers may be banks, financial institutions, private lending institutions, private individuals, and/or other institutions, either individually or a consortium. The funding group may change over the life of the Financing. As noted previously, it is expected at present that the Commercial Bank will provide Financing.

Amount: Up to \$200 million. Portions of the financed funds may be in the form of conventional credit facilities such as revolving credits (which can be

reborrowed during the term of the commitment); letters of credit; the issuance of secured or unsecured notes or debentures (including notes convertible into common stock) to banks, other types of financial institutions or other investors; or term loans. As noted previously, at present, it is expected that the Commercial Bank will provide a revolving senior credit facility of up to \$55 million.

Maturity: Any maturity date will be subject to negotiation and will depend on credit conditions. All maturity dates will be longer than one (1) year. It is expected that the revolving senior credit facility to be provided by the Commercial Bank will mature three (3) years after the closing date.

Interest: Any interest rate will likely be the market rate for similar Financings and will not be determined until such time as each Financing is finalized. As is typical in such transactions, the interest rate will have two components, a base rate and a margin rate. The base rate would be defined as the base or prime rate charged by a specified major bank for loans of similar size with similar maturities or as an adjusted federal funds rate. Eurodollar loans would be based on a specified London Interbank Rate. It is expected that the revolving senior credit facility to be provided by the Commercial Bank will bear interest at a rate equal to LIBOR plus 300 basis points or the Commercial Bank's prime rate plus 150 basis points.

Security: Relevant to this Application, some and perhaps all of the loans to Borrower(s) are expected to be secured by a security interest in specified assets of the Companies, including, but not limited to, a security interest in their receivables, tangible personal property, equipment, and intellectual property. The stock of the Companies may also be pledged as additional security. In some cases, the Companies may provide guarantees or be a borrower or co-borrower. The security documents will contain appropriate provisions indicating that the exercise of certain rights thereunder may be subject to obtaining prior regulatory approval. It is expected that the revolving senior credit facility to be provided by the Commercial Bank will be secured by shares in and substantially all of the North American assets of the Borrowers.

Use of Proceeds: Some of the proceeds will be available for general corporate purposes, capital expenses, and working capital. Other proceeds will be used to fund the acquisition of other telecommunications companies and/or telecommunications assets. Where money is to be provided to the Companies for the acquisition of such assets, the Companies will execute an intercompany note for that amount to Parent. To the extent specific approval would be required for provision of such a note by the Companies, such authority is hereby requested.

The proposed Financings – and related encumbrance of assets as security – are purely financial in nature, and will not alter the terms, conditions or services offered by the Companies in Arizona. The financing arrangement will not require the Companies to increase its maximum rates for telecommunications services in Arizona. The Companies will remain wholly owned by Parent, will continue to operate and provide telecommunications services in Arizona and will retain the assets used in the provision of those services. Finally, as of April 30, 2006, the Companies do not hold any deposits or prepayments from Arizona customers.

IV. INFORMATION SOUGHT UNDER A.A.C. R14-2-803

The financing transaction will not create a new public utility holding company, nor will the organizational structure of the Companies change. Instead, new loans will be secured by assets owned by the Companies. Global Crossing submits the following information, requested by Rule 803(A), in the event the Commission determines that Rule 803 is implicated by this new financing.

- 1. The names and business addresses of the proposed officers and directors of the holding company.**

The officers and directors of Parent Global Crossing North America, Inc. will not change as a consequence of this financing. The Global Crossing North America, Inc. officers and directors are as follows:

<u>Name</u>	<u>Title</u>
Jean Mandeville	Director
Mitchell C. Sussis	Director
Gary Breauinger	Vice President
David R. Carey	President
Steven Caves	Vice President
Daniel J. Enright	Vice President
Roger A Kuebel	Treasurer
Kerry Lynch	Assistant Treasurer
Neal Panzer	Treasurer

David W. Sheffey
Michael J. Shortley, III
Charles Stake
Mitchell C. Sussis
Daniel James Wagner

Assistant Secretary
Vice President
Assistant Vice President – Tax
Vice President and Secretary
Vice President

2. **The business purposes for establishing or reorganizing the holding company.**

The proposed transaction will provide the Companies with the financial resources needed to further grow and expand its business and to compete in today's highly competitive market.

3. **The proposed method of financing the holding company and the resultant capital structure.**

The financing transaction is described in Part III above.

4. **The resultant effect on the capital structure of the public utility.**

The capital structure of the public utilities will not be materially affected by the financing transaction.

5. **An organization chart of the holding company that identifies all affiliates and their relationships within the holding company.**

See Exhibit A.

6. **The proposed method for allocating federal and state income taxes to the subsidiaries of the holding company.**

The Companies do not intend, through the financing transaction, to cause any material change in how state and/or federal taxes are allocated.

7. **The anticipated changes in the utility's cost of service and the cost of capital attributable to the reorganization.**

The proposed financing transaction is not expected to impact the regulated companies' cost of capital. The proposed financing will not affect the Companies' rates in Arizona or cause the Companies' maximum rates to increase.

8. **A description of diversification plans of affiliates of the holding company.**

There are no plans for diversification of affiliates that emanate from the proposed financial transaction.

9. **Copies of all relevant documents and filings with the United States Securities and Exchange Commission and other federal or state agencies.**

Copies are available, upon filing, from the Securities and Exchange Commission's website: <http://www.sec.gov/edgar/searchedgar/companysearch.html>. To date, the exact amounts and terms of each financing are undetermined and thus there is no filing with the SEC that fully explains the Financings.

10. **The contemplated annual and cumulative investment in each affiliate for the next five years, in dollars and as a percentage of projected new utility plant, and an explanation of the reasons supporting the level of investment and the reasons this level will not increase the risks of investment in the public utility.**

This inquiry is designed for transactions involving regulated monopolies and unregulated business affiliates. This question is not applicable where a competitive company, like Global Crossing, is borrowing funds to enable it to better compete in an increasingly competitive environment. Additionally, five year investment projections and future capital expenditures for the Companies are not available at this time.

11. **An explanation of the manner in which the utility can assure that adequate capital will be available for the construction of necessary new utility plant and for improvements in existing utility plant at no greater cost than if the utility of its affiliate did not organize or reorganize a public utility holding company.**

This inquiry is also designed for transactions involving regulated monopolies. The competitive market will drive the Companies to make wise, long-term choices regarding the construction of new utility plant.

V. RULE 804 ANALYSIS

Rule 804 of the Commission's Public Utility Holding Company and Affiliated Interest Rules require approval when a utility subject to the Rules guarantees the debt of an affiliate. A.A.C. R14-2-804 ("Rule 804"). The Commission will approve a guarantee under Rule 804 unless the guarantees will: (1) "impair the financial status of the public utility"; (2) "otherwise prevent it from attracting capital at fair and reasonable terms"; or (3) "impair the ability of the public utility to provide safe, reasonable and adequate service." A.A.C. R14-2-804.C. The Financing meets these criteria.

1. **Impair the financial status of the public utility.**

The Financings will improve, not impair, the financial status of the public utilities insofar as they will allow the Companies to grow and expand facilities.

2. **Otherwise prevent it from attracting capital at fair and reasonable terms.**

The Financings will not make capital more difficult to attract.

3. **Impair the ability of the public utility to provide safe, reasonable and adequate service.**

The Financings will be completely transparent to Global Crossing's customers. The Companies will continue to provide the same safe, reasonable, and adequate service that they are providing today.

VI. PUBLIC INTEREST ANALYSIS

Approving this Application will serve the public interest by enhancing the ability of the Companies to grow and compete in the highly competitive markets for telecommunications services in Arizona and nationwide. Approval of the financing transaction described herein is not expected directly to affect in any way the rates or services of the Companies or their affiliates, or result in any change in control of the Companies or their affiliates. The financing

arrangement will provide the Companies with the financial resources needed to further grow and expand their business and to compete in today's highly competitive telecommunications environment.

The Companies compete in Arizona and other markets with numerous other interexchange carriers and enhanced service providers as well as the incumbent local exchange carrier and other competitive local exchange carriers. Because the Companies are non-dominant carriers, they are not subject to rate of return regulation and their capital structure should not be a matter of concern to the Commission. In addition, because of the highly competitive environment in which they operate, the rates charged customers are subject to market discipline and the services offered generally are available from numerous other carriers. As a result, the source of funds and capital structure of the Companies would have little effect on customers in Arizona or elsewhere. In the unlikely event that the Companies' capital structure becomes too costly and rates rise, customers may simply migrate to other carriers with preferred rates. Thus, any adverse consequences from the financing decisions will impact the shareholders, not the customers, and any favorable consequences benefit both shareholders and consumers through higher profits, lower rates, and better services.

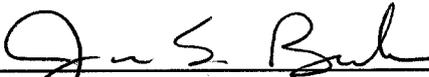
Moreover, because the public interest is best served by assuring the presence of numerous telecommunications competitors in Arizona, it is important to provide such competitors with the flexibility to arrange financing in the manner they deem most appropriate to carry on business so long as there is no adverse impact on the public. To deny such flexibility would discourage new competitors from entering the state and would encourage existing competitors in the state to seek a more favorable regulatory environment elsewhere, neither of which would enhance the public

interest. Given the challenges facing competitive telecommunications carriers, the availability of funds to the Companies in this manner would benefit Arizona consumers.

WHEREFORE, the Companies respectfully request that the Commission approve, to the extent necessary, their participation in the financing transactions described herein and further relief as the Commission may deem appropriate.

DATED this 2nd day of June, 2006.

OSBORN MALEDON, PA

By: 
Joan S. Burke
Osborn Maledon P.A.
2929 North Central, Suite 2100
Phoenix, AZ 85012
Telephone: (602) 640-9356
Facsimile: (602) 640-6074
Jburke@omlaw.com

and

Joan M. Griffin
Melissa S. Conway
KELLEY DRYE & WARREN LLP
3050 K Street, N.W., Suite 400
Washington, D.C. 20007
Telephone: (202) 342-8400
Facsimile: (202) 342-8452
JGriffin@kelleydrye.com
MConway@kelleydrye.com

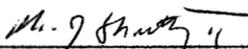
Attorneys for:
Global Crossing Telecommunications, Inc.,
Global Crossing North American Networks, Inc.,
Global Crossing Local Services, Inc., and
Global Crossing Telemanagement, Inc.

Original and 19 copies of the foregoing
filed this 2nd day of June, 2006, with
Docket Control

VERIFICATION

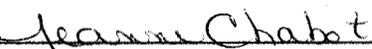
I, Michael J. Shortley, III, am Vice President and General Counsel of Global Crossing North America, Inc. and am authorized to represent it and its subsidiaries and affiliates, and to make this verification on their behalf. The statements in the foregoing document relating to Global Crossing North America, Inc. and its subsidiaries and affiliates, except as otherwise specifically attributed, are true and correct to the best of my knowledge and belief.

I declare under penalty of perjury that the foregoing is true and correct.



Michael J. Shortley, III
Vice President and General Counsel
Global Crossing North America, Inc.

Subscribed and sworn to before me this 23rd day of May 2006.



Notary Public

JEANNE CHABOT
Notary Public, State of New York
No. 01CH6034835
Qualified in Ontario County
Commission Expires December 20, 2009

My Commission expires: _____

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