

ORIGINAL APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION
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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF)
GLOBAL CROSSING TELECOMMUNICATIONS, INC.,)
GLOBAL CROSSING NORTH AMERICAN NETWORKS, INC.,)
GLOBAL CROSSING LOCAL SERVICES, INC., AND)
GLOBAL CROSSING TELEMAGEMENT, INC.)
FOR APPROVAL TO ENCUMBER ASSETS IN)
CONJUNCTION WITH NEW FINANCING)
_____)

T-02432B-09-0363

T-02761A-09-0363

T-03539A-09-0363

T-03658A-09-0363

APPLICATION

Global Crossing Telecommunications, Inc., Global Crossing North American Networks, Inc., Global Crossing Local Services, Inc. and Global Crossing Telemagement, 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 \$1 billion being arranged for their affiliated company, Global Crossing Holdings Limited ("Holdings"), Holdings' parent Global Crossing Limited ("Parent"), or Global Crossing North America, Inc. ("GCNA") (Holdings, Parent, GCNA and the Companies, together the "Borrowers").¹ The Companies request this authority pursuant to Section 40-285 of

¹ The Commission previously approved the Companies' provision of security in connection with financing of up to \$200 million on February 20, 2007 in Decision No. 69345.

the Arizona Revised Statutes and R14-2-804(B)(1) of the Arizona Administrative Code to the extent it may be necessary.²

In support of this Application, the Companies provide the following information:

I. THE APPLICANTS

Global Crossing Telecommunications, Inc. is a Michigan corporation; Global Crossing North American Networks, Inc. is a Delaware corporation; Global Crossing Local Services, Inc. is a Michigan corporation; Global Crossing Telemangement, Inc. is a Wisconsin corporation. The Companies are wholly-owned indirect subsidiaries of GCNA, a Delaware corporation, which is in turn a wholly-owned indirect subsidiary of Holdings, an exempt company with limited liability organized under the laws of Bermuda, which in turn is a direct wholly-owned subsidiary of Parent, an exempt company with limited liability organized under the laws of Bermuda (the Companies, Holdings, Parent, and GCNA, collectively "Global Crossing"). The Companies and GCNA are headquartered at 225 Kenneth Drive, Rochester, New York 14623. Holdings and Parent are headquartered at Wessex House, 1st Floor, 45 Reid Street, Hamilton HM 12, Bermuda, (441) 296-8600.

Global Crossing is a global communications service provider, serving many of the world's largest corporations and many other telecommunications carriers, providing a full range of managed data and voice products and services. The Global Crossing network delivers services to more than 690 major cities in more than 60 countries around the world. Global Crossing's

² 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 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).

flexible service options allow customers to focus on their own high priority business initiatives, leaving all or any part of their day-to-day communications management to Global Crossing.

The services Global Crossing provides include data services, voice services and collaboration services. These services are built around a streamlined global service delivery model intended to provide outstanding customer service, including prompt and accurate provisioning and billing.

~~Parent has subsidiaries 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 Telemangement, Inc.); and 61622 (Global Crossing Local Services). In Arizona, Global Crossing Local Services has invested in a switch and in facilities for intrastate telecommunications. Global Crossing Local Services 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 Telemangement is a reseller of long distance telephone service. 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:

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~~Copies of any correspondence should also be sent to the following designated representative of~~
the Companies:

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III. DESCRIPTION OF THE TRANSACTION

The Companies propose that Holdings, Parent, GCNA and/or the Companies obtain up to \$1 billion through one or more financing arrangements with banks, other financial institutions and/or other types of investors (the "Financings"). Current proposed Financings include \$650 million aggregate principal amount of senior secured notes to certain financial institutions (the "Initial Purchasers"). 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 are 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 as a consortium. The funding group may change over the life of the Financing. As noted previously, it is expected at present that the Initial Purchasers will provide Financing.

Amount: Up to \$1 billion. 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 Initial Purchasers will purchase senior secured notes in an amount of \$650 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 senior secured notes issued to the Initial Purchasers will mature in 2015.

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 common in such transactions, the interest rate may have two components, a base rate and a margin rate. Any such base rate could 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. The senior secured notes expected to be issued to the Initial Purchasers will bear interest at a fixed rate.

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 senior secured notes to be issued to the Initial Purchasers will be supported by the guarantees of the Borrowers and secured by a pledge of the outstanding equity interests in, and a security interest in substantially all the assets of, each of the guarantors.

Use of Proceeds: The proceeds will be available to repay existing debt and for capital expenses, working capital and general corporate purposes, which could include the acquisition of other telecommunications companies and/or telecommunications assets.

To the extent specific approval would be required for provision of such commitments by the Companies, such authority is hereby requested.

IV. 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. The financing arrangement will not require the Companies to increase their 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. The Companies do not now and do not intend on holding any deposits or prepayments from Arizona customers.

V. 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 its 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 more attractive rates. Thus, any adverse consequences from the financing decisions impact the shareholders, not the

customers, and any favorable consequences benefit both shareholders and consumers through lower rates, improved services, and stronger profits.

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, allowing carriers flexibility in choosing how to finance growth will ultimately 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 17th day of July 2009.

OSBORN MALEDON, PA

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Attorneys for:
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Global Crossing North American Networks,
Inc.
Global Crossing Local Services, Inc.
Global Crossing Telemangement, Inc.

Original and 19 copies of the foregoing
Filed this 17th day of July 2009 with
Docket Control

VERIFICATION

I, Michael J. Shortley, III, am Vice President and Regional General Counsel – North America of Global Crossing Limited 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 Limited and its subsidiaries, 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
Michael J. Shortley, III
Vice President and Regional - General Counsel
Global Crossing Limited

Subscribed and sworn to before me this 9th day of July 2009.

Jeanne Chabot
Notary Public

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