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ORIGINAL

MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: September 22, 2009

RE: STAFF REPORT FOR THE JOINT 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 INC CONJUNCTION WITH NEW FINANCING. (DOCKET NOS. T-02438B-09-0363, T-02761B-09-0363, T-03539A-09-0363, T-03658A-09-0363)

Attached is the Staff Report for the joint 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. Staff recommends conditional approval of the requested authorization.

Any party to this procedure who wishes may file comments to the Staff Report with the Commission's Docket Control by 4:00 p.m. on or before October 2, 2009.

SMO:JCM:tdp

Originator: Juan C. Manrique

American Communication Commission

DOCKETED

SEP 22 2009

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JCM

AZ CORP COMMISSION
DOCKET CONTROL

2009 SEP 22 A 9:30

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Service List for: Global Crossing Telecommunications, Inc., et al
Docket Nos. T-02438B-09-0363, et al

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Osborn Maledon P.A.
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Arizona Corporation Commission
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Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

**GLOBAL CROSSING TELECOMMUNICATIONS INC., GLOBAL
CROSSING NORTH AMERICAN NETWORKS, GLOBAL CROSSING LOCAL
SERVICES, INC., GLOBAL CROSSING TELEMAGEMENT, INC.
DOCKET NOS. T-02438B-09-0363, T-02761B-09-0363,
T-03539A-09-0363, T-03658A-09-0363**

**APPLICATION FOR APPROVAL
TO ENCUMBER ASSETS
IN CONJUNCTION WITH NEW FINANCING**

SEPTEMBER 22, 2009

STAFF ACKNOWLEDGMENT

The Staff Report for Global Crossing Telecommunications, Inc., Global Crossing North American Networks, Inc., Global Crossing Local Services Inc., and Global Crossing Telemanagement, Inc., Docket Nos. T-02438B-09-0363, T-02761B-09-0363, T-03539A-09-0363 and T-03658A-09-0363, respectively, is the responsibility of the Staff member listed below. Juan C. Manrique is responsible for the review and financial analysis of the Company's application.

A handwritten signature in cursive script that reads "Juan Manrique". The signature is written in black ink and is centered on the page.

JUAN C. MANRIQUE
PUBLIC UTILITIES ANALYST I

EXECUTIVE SUMMARY
GLOBAL CROSSING TELECOMMUNICATIONS INC., GLOBAL
CROSSING NORTH AMERICAN NETWORKS, GLOBAL CROSSING LOCAL
SERVICES, INC., GLOBAL CROSSING TELEMAGEMENT, INC.
DOCKET NOS. T-02438B-09-0363, T-02761B-09-0363,
T-03539A-09-0363 AND T-03658A-09-0363

On July 17, 2009, pursuant to A.R.S. §40-285 and R14-2-804(B)(1), Global Crossing Telecommunications, Inc. (“GCTI”)¹, Global Crossing North American Networks, Inc. (“GCNAN”)², Global Crossing Local Services, Inc. (“GCLSI”)³, and Global Crossing Telemagement, Inc. (“GC Telemagement”)⁴ collectively (“Applicants”) filed an application with the Arizona Corporation Commission (“Commission”) requesting that the Commission authorize them to encumber their assets in the State of Arizona in conjunction with new financing.

The Applicants are non-dominant telecommunications carriers collectively with authority to provide competitive local exchange, intrastate and private line services within the state of Arizona. GCTI is a Michigan corporation; GCNAN is a New York corporation; GCLSI is a Delaware corporation; and GC Telemagement is a Wisconsin corporation.

The Applicants seek authority to pledge their Arizona assets in connection with financings of up to \$1,000,000,000 being arranged for their affiliated company, Global Crossing Holdings Limited (“Holdings”), Holdings’ parent Global Crossing Limited (“Parent”), or Global Crossing North America, Inc. (“GCNA”), which along with Applicants are collectively (“Borrowers”).

Staff concludes that a pledge of the Applicants’ assets would not impair the availability of service to customers since the Applicants provide competitive services that are available from alternate service providers. However, customers may still have exposure to losses to the extent they have prepaid for service or made deposits. Accordingly, any authorization for encumbrances should provide customer protection for prepayments and deposits.

Staff recommends that the Commission authorize the Applicants’ request to encumber their assets in the State of Arizona pursuant to A.R.S. § 40-285 and R14-2-804(B)(1), subject to the condition that all Arizona customer deposits and prepayments, if any, be excluded from encumbrance, or in the alternative, that all Arizona customer deposits and prepayments, if any, be secured by a bond or an irrevocable sight draft letter of credit which is not included in the pledged collateral.

¹ GCTI was granted a CC&N by the Commission in Decision No. 54505.

² GCNAN was granted a CC&N by the Commission in Decision No. 60143.

³ GCLSI was granted a CC&N by the Commission in Decision No. 61622.

⁴ GC Telemagement was granted a CC&N by the Commission in Decision No. 61213.

Staff further recommends that if the Applicants exercise the option of procuring a performance bond or irrevocable sight draft letter of credit to protect Arizona customer deposits and prepayments, that they file the original performance bond with the Commission's business office, within 60 days of the effective date of the Decision in this proceeding, along with the appropriate number of copies with Docket Control.

Staff further recommends authorizing Applicants to engage in any transaction and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that the Applicants file with Docket Control, as a compliance item in this matter, a copy of the loan documents within 60 days of the execution of any financing transaction authorized herein.

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Introduction

On July 17, 2009, pursuant to A.R.S. §40-285 and R14-2-804(B)(1), Global Crossing Telecommunications, Inc. ("GCTI"), Global Crossing North American Networks, Inc. ("GCNAN"), Global Crossing Local Services, Inc. ("GCLSI"), and Global Crossing Telemanagement, Inc. ("GC Telemanagement") collectively ("Applicants") filed an application with the Arizona Corporation Commission ("Commission") requesting that the Commission authorize them to encumber their assets in the State of Arizona in conjunction with new financing.

Public Notice

On August 31, 2009, the Applicants filed an affidavit of publication verifying public notice of their financing application. The Applicants published notice of their financing application in the *Arizona Business Gazette* on August 31, 2009. The *Arizona Business Gazette* is a weekly newspaper of general circulation in the county of Maricopa, Arizona. The affidavit of publication is attached along with a copy of the Notice.

Background

The Applicants are non-dominant telecommunications carriers collectively with authority to provide competitive local exchange, intrastate and private line services within the state of Arizona. GCTI is a Michigan corporation; GCNAN is a New York corporation; GCLSI is a Delaware corporation; and GC Telemanagement is a Wisconsin corporation.

The Applicants are affiliate companies and are wholly-owned indirect subsidiaries of Global Crossing North America, Inc. ("GCNA"), a Delaware corporation. GCNA is a wholly-owned indirect subsidiary of Global Crossing Holdings Limited ("Holdings"), an exempt company with limited liability organized in Bermuda. Holdings is a direct wholly-owned subsidiary of Global Crossing Limited ("Parent"), an exempt company with limited liability organized in Bermuda.

Compliance

There are no compliance issues with GCTI, GCNAN, GCLSI or GC Telemanagement.

Purpose and Description of the Requested Approval

The Applicants seek authority to pledge their Arizona assets in connection with financings being arranged for their affiliated company, Global Crossing Holdings Limited ("Holdings"), Holdings' parent Global Crossing Limited ("Parent"), or Global Crossing North America, Inc. ("GCNA"), which along with Applicants are collectively ("Borrowers"). Borrowers, through several financing arrangements with banks, other financial institutions and/or other types of investors have initially secured \$650,000,000 in senior secured notes. The

borrowers may obtain other financings in the future up to \$1,000,000,000.

The Borrowers will become jointly and severally liable for all secured notes. Applicants will pledge their assets as collateral for the debt relating to the aforementioned notes. The purpose of the Applicants' filing is to obtain authorization to pledge their assets.

The Applicants indicate that the transactions will not result in any changes to their management, day-to-day operations or provision of service to its current customers.⁵

Financial Analysis

The Applicants request authorization to pledge their assets as security for senior secured notes up to \$1,000,000,000. A.R.S. § 40-285 requires public service corporations to obtain Commission authorization to encumber certain utility assets. The statute serves to protect captive customers from a utility's act to dispose of any of its assets that are necessary for the provision of service, thus, it serves to preempt any service impairment due to disposal of assets essential for providing service. Further, A.A.C. R14-2-804(B) provides that a utility will not, without Commission approval, obtain a financial interest in any affiliate not regulated by the Commission, or guarantee, or assume the liabilities of such affiliate. In this instance, a pledge of the Applicants assets should not impair the availability of service to customers since Applicants provide competitive services that are available from alternate service providers. However, customers may still have exposure to losses to the extent they have prepaid for service or made deposits. Therefore, any authorization for encumbrance should provide customer protection for prepayments and deposits. The Applicants state that they do not now hold any customer deposits and do not intend to do so in the future.

A.A.C. R14-2-804(C) requires the Commission to review transactions subject to A.A.C. R14-2-804(B) to determine if those transactions would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service. The transactions have or would provide additional capital to the Applicants. The Applicants assert that the transactions will enable them to grow and compete in the highly competitive markets for telecommunications services in Arizona and nationwide. The Applicants also provide competitive services that are available from alternate services providers. Accordingly, the transactions in this proceeding satisfactorily meet the conditions subject to review.

Conclusion and Recommendations

Staff concludes that the Applicants' pledge of their assets for the purposes described in their application would not impair the availability of service to customers since the Applicants provide competitive services that are available from alternate service providers. However, customers may still have exposure to losses to the extent they have prepaid for service or made

⁵ Global Crossing Application, page 6.

deposits. Accordingly, any authorization for encumbrance should provide customer protection for prepayments and deposits.

Staff recommends that the Commission authorize the Applicants' request to encumber their assets in the State of Arizona in connection with financings up to \$1,000,000,000. Such authorization should be subject to the condition that all Arizona customer deposits and prepayments, if any, be excluded from encumbrance, or in the alternative, that all Arizona customer deposits and prepayments, if any, be secured by a bond or an irrevocable sight draft letter of credit which is not included in the pledged collateral.

Staff further recommends that if the Applicants exercise the option of procuring a performance bond or irrevocable sight draft letter of credit to protect Arizona customer deposits and prepayments, that they file the original performance bond with the Commission's business office, within 60 days of the effective date of the Decision in this proceeding, along with the appropriate number of copies in Docket Control.

Staff further recommends authorizing the Applicants to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted.

Staff further recommends that the Applicants file with Docket Control, as a compliance item in this matter, a copy of the loan documents within 60 days of the execution of any financing transaction authorized herein.

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS:
KRISTIN K. MAYES - Chair
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2009 AUG 31 P 3:40

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. T-02438B-09-0363
GLOBAL CROSSING)	T-02761B-09-0363
TELECOMMUNICATIONS, INC; GLOBAL)	T-03658A-09-0363
CROSSING NORTH AMERICAN NETWORKS,)	T-03539A-09-0363
INC.; GLOBAL CROSSING LOCAL SERVICES,)	
INC.; GLOBAL CROSSING)	
TELEMANAGEMENT, INC. FOR APPROVAL)	GLOBAL CROSSING
TO ENCUMBER ASSETS IN CONNECTION)	NOTICE OF FILING
WITH NEW FINANCING)	AFFIDAVIT OF PUBLICATION
)	

Global Crossing Telecommunications, Inc., Global Crossing North American Networks, Inc., Global Crossing Local Services, Inc. and Global Crossing Telemanagement, Inc. (collectively, the "Global Crossing" or "Applicants"), hereby file the attached Affidavit of Publication evidencing the public notice given on August 31, 2009, regarding the Application for Approval to Encumber Assets in Connection with New Financing.

Submitted this 31st day of August, 2009.

OSBORN MALEDON, P.A.

By Joan S. Burke

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

Arizona Corporation Commission
DOCKETED
AUG 31 2009

DOCKETED BY MM

and

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
MConway@kelleydrye.com

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

ORIGINAL and 19 copies of the foregoing
filed this 31st day of August, 2009, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Copy of the foregoing sent via hand-delivery
this 31st day of August, 2009, to:

Juan Manrique
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Wes Van Cleve
Counsel
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Debra M Huss

THE ARIZONA REPUBLIC

PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER AUTHORIZING THE ENCUMBRANCE OF ASSETS IN CONNECTION WITH NEW FINANCING BY GLOBAL CROSSING TELECOMMUNICATIONS INC. GLOBAL CROSSING NORTH AMERICAN NETWORKS INC. GLOBAL CROSSING LOCAL SERVICES, INC. AND GLOBAL CROSSING TELEMANAGEMENT, INC.

Global Crossing Telecommunications, Inc., Global Crossing North American Networks, Inc., Global Crossing Local Services, Inc. and Global Crossing Telemanagement, Inc. (collectively, the "Applicants") filed an Application with the Arizona Corporation Commission ("Commission") on July 11, 2009, asking for authority to serve as borrowers, co-borrowers, guarantors, or otherwise provide security in connection with financings of up to \$1 billion entered into by Global Crossing Holdings Limited, Global Crossing Limited, and/or Global Crossing North America, Inc. The application is available for inspection during regular business hours at the office of the Commission located at 1280 West Street, Phoenix, AZ 85007; and at the office of Osborn Maledon PA 2128 N. Central Ave., Suite 2100, Phoenix, Arizona, 85012.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

(1) The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor; (2) A short statement of the proposed intervenor's interest in the proceeding; (3) Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing; (4) A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.R.C. R2-3-105, except that all Motions to Intervene must be filed on or before the 15th day after this notice.

Published: August 31, 2009

STATE OF ARIZONA }
 COUNTY OF MARICOPA } SS.

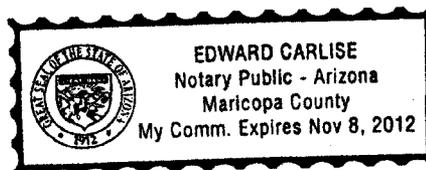
Mark Gilmore, being first duly sworn, upon oath deposes and says: That he is a legal advertising representative of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic

August 31, 2009.

Mark Gilmore

Sworn to before me this
 31TH day of
 August A.D. 2009



[Signature]
 Notary Public