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2010 MAR -2 P 4: 38

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T-20694A-10-0076

In the Matter of the Application of Zayo
Bandwidth, LLC for Authority to Encumber
Assets

DOCKET NO. T-20694A-10 _____

APPLICATION FOR AUTHORITY TO ENCUMBER ASSETS

Zayo Bandwidth, LLC ("ZB" or "Applicant"), pursuant to Arizona Rev. Stat. § 40-285 and any regulations deemed applicable, requests approval from the Arizona Corporation Commission ("Commission"), to the extent required, to encumber its property through the grant of a security interest in Applicant's assets in support of the company-wide financing arrangements described in Section III below.¹ Applicant expects that the financing arrangements will be complete on or about March 10, 2010.

In support of this filing, Applicant provides the following information:

I. DESCRIPTION OF THE APPLICANTS

Zayo Bandwidth, LLC is a Delaware limited liability companies whose sole member is Zayo Group, LLC ("Zayo Group"), a Delaware limited liability company. ZB's

¹ Applicant is also providing a guaranty in support of the company-wide financing arrangements. Since Applicant does not currently provide intrastate telecommunications services in Arizona, however, the Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R12-2-801 to R12-2-806, do not apply to guaranty provided by Applicant.

1 and Zayo Group's principal office is located at 901 Front Street, Suite 200, Louisville, CO
2 80027. ZB is part of Zayo Group's Zayo Bandwidth business unit, which provides Private
3 Line, Ethernet, Wavelength, Dedicated Internet Access and Collocation services to
4 wholesale (e.g., other carriers) and large enterprise customers.

5 In Arizona, ZB has an application pending for a certificate to provide
6 facilities-based long distance and local exchange telecommunications services ("the
7 "Certification Application"). See Docket No. T-20694A-09-0379. Applicant is also
8 authorized by the FCC to provide interstate telecommunications services and international
9 telecommunications services.

10 **II. CONTACTS**

11 Questions or any correspondence, orders, or other materials pertaining to this
12 filing should be directed to the following.

13 For Applicant:

14 Thomas H. Campbell
15 Michael T. Hallam
16 Lewis & Roca LLP
17 40 North Central Avenue
18 Phoenix, AZ 85004-4429
19 (602) 262-5340 (Tel)
20 (602) 734-3886 (Fax)
21 Mhallam@lrlaw.com

22 With copies to:

23 Jean L. Kiddoo
24 Brett P. Ferenchak
25 Bingham McCutchen LLP
26 2020 K Street, N.W.
Washington, DC 20006
(202) 373-6697 (Tel)
(202) 373-6001 (Fax)
jean.kiddoo@bingham.com
brett.ferenchak@bingham.com

And:

Scott E. Beer
General Counsel
Zayo Group, LLC
901 Front Street, Suite 200
Louisville, CO 80027
(303) 381-4664 (Tel)
(303) 226-5923 (Fax)
sbeer@zayo.com

27 **III. DESCRIPTION OF FINANCING ARRANGEMENTS**

28 Applicant and certain of Zayo Group's current and future subsidiaries will
29 participate in new company-wide financing arrangements to be obtained in an aggregate

1 amount of up to \$350 million. Applicant and Zayo Group's other operating subsidiaries
2 will be borrowers and/or guarantors under the debt obligations and pledge substantially all
3 of their assets as security for the new company-wide financing arrangements.² The
4 financing arrangements are expected to include a combination of senior secured notes in an
5 aggregate amount of up to \$275 million and a revolving credit facility in an aggregate
6 amount of up to \$75 million although the exact breakdown in the amounts of the two
7 financing facilities may change. Zayo Group is in the process of negotiating the specific
8 terms of these financing arrangements and currently expects (i) that the term of the notes
9 will be seven (7) years and (ii) that the term of the revolving credit facility will be four (4)
10 years. The interest rate for the notes and revolving credit facility will be priced shortly
11 before closing but will be based on the then current market rates. Applicant expects that
12 the financing arrangements will be complete on or about March 10, 2010.

13 Zayo Group intends to use the proceeds from the notes to pay off its existing
14 term loans and revolving credit facilities, which currently total approximately \$180 million.
15 The remainder of the proceeds from the notes and the proceeds from the new revolving
16 credit facility will be used to fund strategic acquisitions and for other permitted purposes,
17 including working capital, capital expenditures, and other general corporate purposes of
18 Zayo Group and its operating subsidiaries, including Applicant.

19 Although Applicant is not yet a public service corporation in Arizona,
20 Applicant's pledge of assets may include assets located in Arizona that Applicant is not
21 currently using to provide telecommunications or assets that it deploys or acquires in
22 Arizona shortly after it receives its CC&N in Arizona. In order to ensure that Applicant has
23 all the necessary approvals to pledge its assets upon becoming a public service corporation,
24 Applicant requests that the Commission consider and grant approval of its participation in
25

26 ² To the extent that the Applicant serves as a borrower under the financing arrangement, it is exempt from the provisions of A.R.S. § 40-301 *et seq.* pursuant to the provisions of A.R.S. § 40-301.D.

1 the financing arrangements concurrently with the grant of approval of Applicant's
2 Certification Application.

3 **IV. PUBLIC INTEREST CONSIDERATIONS**

4 Approval of Applicant's participation in the financing arrangements
5 described herein will serve the public interest in promoting competition among
6 telecommunications carriers by providing Applicant with the opportunity to strengthen its
7 competitive position with access to greater financial resources through the refinancing of
8 Zayo Group's existing long-term debt and access to additional long-term financing. The
9 funds to be obtained through the financing arrangements are necessary and appropriate, are
10 consistent with the performance by the Applicant of its services to the public, will not
11 impair the ability of Applicant to perform such services and will promote the corporate
12 purposes of the Applicant. The financing transaction will be transparent to customers and
13 will not disrupt service, or cause customer confusion or inconvenience.

14 **V. CONCLUSION**

15 WHEREFORE, for the reasons set forth above, Applicant requests the
16 Commission authorize Zayo Bandwidth, LLC to encumber its property through the grant of
17 a security interest in its assets in support of the financing arrangements. Applicant requests
18 that the Commission grant the approval requested in conjunction with the grant of
19 Applicant's Certificate Application.

20 RESPECTFULLY SUBMITTED this 2nd day of March, 2010.

21 LEWIS AND ROCA LLP

22 

23
24 Thomas H. Campbell
25 Michael T. Hallam
26 40 North Central Avenue
Phoenix, AZ 85004

Attorneys for Zayo Bandwidth, LLC

1 ORIGINAL and thirteen (13) copies
2 of the foregoing filed this 2nd day
of March, 2010, with:

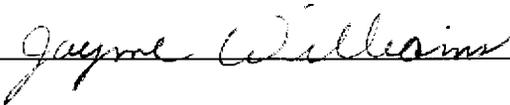
3 The Arizona Corporation Commission
4 Utilities Division – Docket Control
5 1200 W. Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered
8 this 2nd day of March, 2010, to:

9 Steve Olea
10 Utilities Division
11 Arizona Corporation Commission
12 1200 W. Washington Street
13 Phoenix, Arizona 85007

14 Lyn Farmer, Chief Administrative Law Judge
15 Hearing Division
16 Arizona Corporation Commission
17 1200 W. Washington Street
18 Phoenix, Arizona 85007

19 Janice Alward
20 Legal Division
21 Arizona Corporation Commission
22 1200 W. Washington Street
23 Phoenix, Arizona 85007

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25 
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