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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

Arizona Corporation Commission

DOCKETED

SEP -1 2010

DOCKETED BY *NR*

IN THE MATTER OF THE APPLICATION  
OF ZAYO BANDWIDTH, LLC AND ZAYO  
FIBER SOLUTIONS, LLC (FKA AGL  
NETWORKS, LLC) FOR AUTHORITY TO  
ENCUMBER ASSETS.

DOCKET NOS. T-20694A-10-0295

T-20667A-10-0295

DECISION NO. 71862

ORDER

Open Meeting  
August 24 and 25, 2010  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On July 9, 2010, Zayo Bandwidth, LLC ("ZB") and Zayo Fiber Solutions, LLC (formerly known as AGL Networks, LLC) ("ZFS") requested approval to encumber their property through the grant of a security interest in their assets in support of additional long-term debt obligations of up to \$125 Million (for an aggregate of up to \$450 Million in existing and additional long-term debt obligations). These additional financing arrangements are expected to be on substantially the same or better terms as the financing arrangements approved by the Commission in Decision No. 71704 for ZFS and being considered by the Commission in Docket No. T-20694A-10-0076 for ZB. These additional financing arrangements are expected to be used, in part, to fund a strategic acquisition by Zayo that is expected to close in approximately 90 days.

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1 The Applicant's Transaction

2       2.       The proposed transaction is a financing application by competitive local exchange  
3 carriers ("CLECs") that will encumber assets.

4 Staff's Analysis & Recommendations

5       3.       In response to a Staff email data request, ZB and ZFS stated that prepaid customer  
6 funds and deposits will not be encumbered.

7       4.       On July 21, 2010, Zayo provided Staff with an advance copy of its public notice of  
8 financing application. The Company published a notice of its financing application in the Arizona  
9 Republic on July 23, 2010, and filed its affidavit on August 5, 2010.

10       5.       ZB and ZBS were found to be in Good Standing and in Compliance by the  
11 Customer Service and Compliance Sections of the Commission.

12       6.       A.R.S. §40-285 requires public service corporations to obtain Commission  
13 authorization to encumber certain utility assets. The statute serves to protect captive customers  
14 from a utility's act to dispose of any of its assets that are necessary for the provision of service;  
15 thus, it serves to preempt any service impairment due to disposal of assets essential for providing  
16 service. Based on its analysis of the proposed transaction, Staff concludes that the transaction  
17 would not impair the financial status of the Company, would not impair its ability to attract capital,  
18 nor would it impair the ability of the Company to provide safe, reasonable, and adequate service.  
19 Staff, therefore, recommends that the Commission approve the Applicants' request to encumber  
20 their Arizona assets as described in their application.

21       7.       Staff concludes that a pledge of the Applicants' assets would not impair the  
22 availability of service to customers since the Applicant provides competitive services that are  
23 available from alternative service providers. Customers may still have exposure to losses to the  
24 extent they have prepaid for service or made deposits, therefore, Staff recommends approval of the  
25 application subject to the condition that all customer deposits and prepayments be excluded from  
26 encumbrance and equivalent amounts be retained by the Applicants.

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1 IT IS FURTHER ORDERED that copies of executed security documents be filed with  
2 Docket Control within 90 days of the decision in this matter.

3 IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

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5 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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7 CHAIRMAN   
8 COMMISSIONER

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10 COMMISSIONER   
11 COMMISSIONER   
12 COMMISSIONER

13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
14 Executive Director of the Arizona Corporation Commission,  
15 have hereunto, set my hand and caused the official seal of  
16 this Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this 31<sup>st</sup> day of August, 2010.

18   
19 ERNEST G. JOHNSON  
20 EXECUTIVE DIRECTOR

21 DISSENT: \_\_\_\_\_

22 DISSENT: \_\_\_\_\_

23 SMO:AFF:tdp\AV

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1 SERVICE LIST FOR: Zayo Bandwidth, LLC and Zayo Fiber Solutions, LLC (FKA Agl  
2 Networks, LLC)

3 DOCKET NOS. T-20694A-10-0295 and T-20667A-10-0295

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