

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

JUL 12 2012

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T-03777A-12-0319
T-03774A-12-0319

IN THE MATTER OF THE APPLICATION OF)
ZAYO GROUP, LLC, 360NETWORKS (USA))
INC. AND ABOVE NET COMMUNICATIONS,)
INC. FOR AN ORDER AUTHORIZING THE)
ENCUMBRANCE OF THEIR ASSETS)

DOCKET NO.

APPLICATION FOR ENCUMBRANCE ORDER

Zayo Group, LLC ("Zayo Group"), 360networks (USA) inc. ("360networks") and AboveNet Communications, Inc. ("AboveNet") (collectively, the "Applicants") (Applicants and Zayo Group's other subsidiaries collectively, the "Company"), by undersigned counsel and pursuant to A.R.S. § 40-285 and any regulations deemed applicable, hereby request, to the extent necessary,¹ Arizona Corporation Commission ("Commission") approval for Applicants to encumber their respective assets in Arizona in connection with up to \$120 Million in Additional Revolving Facilities of Zayo as defined and described in more detail below.² The Additional Revolving Facilities have been arranged in conjunction with Zayo Group's financing transactions completed on July 2, 2012, as approved by the Commission in Decision No. 73251, and will be available to the Company upon receipt of the necessary regulatory approvals.

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

¹ Although Applicants are seeking any necessary approval for them to encumber their respective assets in Arizona in connection with the Additional Revolving Facilities, Applicants do so without prejudice to their right to assert that such transactions are beyond the jurisdiction of the Commission.

² None of Zayo, 360networks or AboveNet had more than \$1 million in jurisdictional revenue in Arizona last year and, therefore, none is a Class A Utility. The Commission's Public Utility Holding Companies and Affiliated Interests Rules, A.A.C. R12-2-801 to R12-2-806 (the "Affiliated Interest Rules"), do not apply to Applicants.

Another subsidiary of Zayo, American Fiber Systems, Inc. ("AFS"), holds a CCN in Arizona but does not currently have assets or provide intrastate telecommunications services in Arizona (and therefore is not a Class A Utility). AFS, therefore, does not require approval under A.R.S. § 40-285 or the Affiliated Interest Rules to encumber its assets or provide a guaranty in connection with the financing arrangements of Zayo.

1 **I. DESCRIPTION OF THE PARTIES**

2 Zayo Group is a Delaware limited liability company with principal offices at 400
3 Centennial Parkway, Suite 200, Louisville, Colorado 80027. 360networks is a Nevada
4 corporation and a wholly-owned indirect subsidiary of Zayo Group. AboveNet is a Delaware
5 corporation and a wholly owned indirect subsidiary of Zayo Group. Zayo Group is a wholly-
6 owned direct subsidiary of Zayo Group Holdings, Inc., a Delaware corporation, which in turn is a
7 wholly-owned direct subsidiary of Communications Infrastructure Investments, LLC ("CII"), a
8 Delaware limited liability company. CII has no majority owner.

9 The Company is a provider of bandwidth infrastructure and network neutral colocation and
10 interconnection services over regional and metropolitan fiber networks that enable its customers to
11 manage, operate, and scale their telecommunications and data networks. The Company's services
12 are primarily used by wireless service providers, national and regional telecommunications
13 carriers and other communications service providers, media and content companies, schools,
14 hospitals, governments, banks and other bandwidth-intensive enterprises.

15 In Arizona, Zayo is authorized to provide facilities-based local exchange services and
16 resold and facilities-based intraLATA and interLATA private line services pursuant to Decision
17 No. 72561; 360networks is authorized to provide local exchange switched access services and
18 interexchange telecommunications services pursuant to Decision Nos. 69240 and 62710,
19 respectively; AboveNet is authorized to provide facilities-based and resold non-switched private
20 line and high capacity fiber optic telecommunications services pursuant to Decision No. 62628;³
21 and AFS is authorized to provide facilities-based and resold local exchange, exchange access and
22 interexchange telecommunications services pursuant to Decision No. 63936. Applicants are also
23 authorized by the Federal Communications Commission ("FCC") to provide domestic and/or
24 international telecommunications services.

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27 ³ The authorization was originally granted in the name of Metromedia Fiber Network Fiber Services, Inc., which subsequently changed its name to AboveNet.

1 Additional information concerning the Company's legal, technical, managerial and
2 financial qualifications was submitted to the Commission in connection with various Applicants'
3 certification applications and various corporate and financial transactions and is therefore already
4 a matter of public record. Applicants request that the Commission take notice of these existing
5 descriptions of the Company's qualifications and incorporate them by reference herein. In support
6 of its financial qualifications, the Company's financial statements from its most recent SEC Form
7 10-Q is available at http://www.zayo.com/sites/default/files/Zayo_FY3Q2012_10-Q_0.PDF.

8 **II. DESIGNATED CONTACTS**

9 Questions, correspondence or other communications concerning this Application should be
10 directed to Applicants' counsel of record:

11 For Zayo and 360networks :

and:

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17 with copies to:

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23 **III. DESCRIPTION OF THE ADDITIONAL REVOLVING FACILITIES**

24 On March 26, 2012, Applicants filed an application ("March 26 Application") seeking
25 approval to pledge their assets in connection with up to \$3 Billion in new financing arrangements
26 (the "Financing"). At the time, Applicants did not yet know the precise terms and amounts of the
27 debt instruments that would be available and the March 26 Application therefore described a range

1 of the expected terms and conditions of the Financing. The Commission approved the March 26
2 Application on June 27, 2012 (Decision 73251). Shortly before closing the Financing, Zayo
3 Group and its lenders determined that advantageous financial market conditions and the
4 Company's potential future needs justified an increase in the aggregate amount of the financing by
5 \$120 Million, subject to obtaining all necessary regulatory approvals for the Additional Revolving
6 Facilities.

7 On July 2, 2012, consistent with the Commission's prior approval, Zayo Group completed
8 its \$3 Billion Financing that included the following: (1) \$750 Million 8.125% Senior Secured First
9 Priority Notes due 2020 ("Secured Notes"); (2) \$500 Million 10.125% Senior Unsecured Notes
10 due 2020 ("Unsecured Notes"); (3) Term Loans in the amount of \$1.62 Billion and mature on July
11 2, 2019 (the "Term Loans") and (4) revolving loan facilities, swing line loans and letters of credit
12 ("Revolving Facilities") in an amount of up to \$130 Million, which amount may be increased by
13 up to an additional \$120 Million (the "Additional Revolving Facilities") upon receipt of all
14 necessary regulatory approvals. The Revolving Facilities have an interest rate of LIBOR plus a
15 margin of 5.375% or Base Rate plus a margin of 4.375% (with margin subject to quarterly
16 adjustment based on Zayo Group's leverage ratio), will mature on July 2, 2017 and are secured by
17 a security interest in substantially all of the assets of the Company.⁴ Because the March 26
18 Application did not envision, and therefore the Commission's Decision No. 73251 did not
19 approve, the Additional Revolving Facilities, Applicants hereby seek approval to encumber their
20 respective assets in connection with the Additional Revolving Facilities in the aggregate amount
21 of up to \$120 Million.⁵

22
23 ⁴ The Secured Notes and Term Loans also are secured by a security interest in substantially all of the
24 assets of the Company. In addition, 360networks and AboveNet (and certain of Zayo's other subsidiaries)
25 have each provided a guaranty for the Financing. Additional information regarding the Financing is
26 available in Zayo Group's SEC Form 8-K filed at
[http://www.sec.gov/Archives/edgar/data/1502756/000119312512292181/0001193125-12-292181-
index.htm](http://www.sec.gov/Archives/edgar/data/1502756/000119312512292181/0001193125-12-292181-index.htm).

27 ⁵ To the extent that Zayo will be a borrower under the Additional Revolving Facilities, Zayo 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 **IV. PUBLIC INTEREST CONSIDERATIONS**

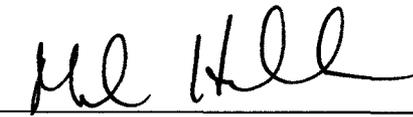
2 Applicants submit that approval for Applicants to pledge their respective assets as security
3 for the Additional Revolving Facilities will serve the public interest in promoting competition
4 among telecommunications carriers by providing Applicants with access to greater financial
5 resources that will allow Zayo to become more effective competitors to larger incumbent
6 telecommunications providers. The Additional Revolving Facilities are necessary and appropriate,
7 are consistent with the performance by Applicants of their respective services to the public, will
8 not impair the ability of these carriers to perform such services, and will promote the corporate
9 purposes of the Applicants. Applicants' participation in the Additional Revolving Facilities will
10 be transparent to customers and will not disrupt service or cause customer confusion or
11 inconvenience.

12 **V. CONCLUSION**

13 For the foregoing reasons, Applicants submit that the public interest, convenience, and
14 necessity would be furthered by grant of this Application, authorizing Applicants to encumber
15 their respective assets as described herein.

16 Respectfully submitted this 12th day of July, 2012,

17 LEWIS and ROCA LLP

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19
20 By: 

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Counsel for Applicants

1 Original and 13 copies of the foregoing
filed this 12th day of July, 2012 with:

2 Docket Control
3 Arizona Corporation Commission
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5 Copy of the foregoing mailed this
6 12th day of July, 2012 to:

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