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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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BRENDA BURNS
Commissioner

JAN -8 2013

SUSAN BITTER SMITH
Commissioner

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BOB BURNS
Commissioner

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. T-04290A-13-0006
CCG COMMUNICATIONS, LLC FOR AN)
ORDER AUTHORIZING THE) APPLICATION FOR
ENCUMBRANCE OF ITS ASSETS) ENCUMBRANCE ORDER
(Expedited Approval Requested)

APPLICATION

CCG Communications, LLC ("CCG"),¹ by undersigned counsel and pursuant to Ariz. Rev. Stat. § 40-285 and any regulations deemed applicable hereby request, to the extent necessary,² Arizona Corporation Commission ("Commission") approval for CCG to encumber its Arizona assets in connection with certain financing arrangements to be entered into by LTS Buyer LLC ("LTS Buyer").³ The financing arrangements are being undertaken in connection with LTS Buyer's proposed acquisitions of Light Tower Holdings

¹ In connection with a proposed *pro forma* intra-company consolidation of CCG and certain of its affiliates, the Commission recently authorized the *pro forma* transfer of CCG's Certificate of Convenience and Necessity ("CCN") to its affiliate, Lexent Inc., in Decision 73581. The *pro forma* merger of CCG with and into Lexent, with Lexent as the surviving entity, has not occurred and therefore CCG's assets and CCN have not yet transferred to Lexent. That *pro forma* merger may occur at some time following the completion of the LTS Buyer Transactions (as defined herein).

² Although Applicant is seeking any necessary approval for it to encumber its assets in Arizona in connection with the financing arrangement, Applicant does so without prejudice to its right to assert that such transactions are beyond the jurisdiction of the Commission.

³ CCG had no jurisdictional revenue in Arizona last year and, therefore, is not a Class A Utility. Nor is LTS Buyer or CCG affiliated with 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 CCG with respect to the financing arrangements or the Light Tower Transaction (as defined below).

1 LLC (“Light Tower”) (CCG, Light Tower and LTS Buyer collectively, the “Parties”) and
2 its subsidiaries and Yankee Metro Partners, LLC (“Yankee”) and its subsidiaries.⁴ The
3 participation of CCG in the financing arrangements of LTS Buyer is contingent on the
4 completion of the LTS Buyer Transactions.

5 Applicant seeks an expedited ruling so that the proposed LTS Buyer
6 Transaction may be consummated as expeditiously as possible.

7 **I. DESCRIPTION OF THE PARTIES**

8 **A. CCG**

9 CCG is a Massachusetts limited liability company and indirect, wholly-
10 owned subsidiary of Light Tower, a Delaware limited liability company. CCG and Light
11 Tower have principal offices located at 80 Central Street, Boxborough, Massachusetts
12 01719. Light Tower, through its operating subsidiaries, including CCG, and under the
13 trade name Lighttower Fiber Networks, provides Ethernet, SONET, wavelengths, private
14 network services, Internet access, dark fiber and collocation services to carrier, government
15 and enterprise customers.

16 In Arizona, CCG is authorized to provide facilities-based local exchange
17 telecommunications services in Arizona pursuant to Decision No. 67883 in Docket No.

18 ⁴ Pursuant to an Agreement and Plan of Merger (“Agreement”) effective as of December 22, 2012,
19 LTS Buyer will acquire control, through its acquisition of all of the ownership interests of Light Tower, of
20 CCG (the “Light Tower Transaction”). Specifically, pursuant to the Agreement, LT Merger Sub LLC, a
21 Delaware limited liability company and a wholly-owned subsidiary of LTS Buyer created specifically for
22 purposes of the transaction, will merge with and into Light Tower, with Light Tower surviving the merger
23 as a direct, wholly-owned subsidiary of LTS Buyer. As a result, CCG will become an indirect, wholly-
24 owned subsidiary of LTS Buyer.

25 Since none of CCG, LTS Buyer, or their affiliates, is Class A Utility, Commission approval is not
26 necessary under the Affiliated Interest Rules for the transfer of indirect control of CCG to LTS Buyer.
Further, since Light Tower is not a “public service corporation,” no approval is necessary for the transfer of
indirect control of CCG to LTS Buyer under A.R.S. § 40-285.

In addition to the Light Tower Transaction, LTS Buyer simultaneously entered into an Agreement
and Plan of Merger, also dated as of December 22, 2012, to acquire control of Yankee (the “Yankee
Transaction” and, together with the Light Tower Transaction, the “LTS Buyer Transactions”), which,
through its operating subsidiaries, is a provider of is a provider of dark fiber, colocation and advanced
network services including Ethernet, Wavelength, SONET, Internet Access, and private managed optical
networks to enterprise, carrier, and data center customers. None of the Yankee entities hold a certificate to
provide intrastate telecommunications services in Arizona.

1 04290A-04-08378 issued on June 1, 2005, although CCG does not currently serve any
2 customers in the state.⁵ Further information regarding the financial, managerial and
3 technical capabilities of Light Tower and CCG and the services they provide has previously
4 been submitted to the Commission and therefore is a matter of public record, and Applicant
5 requests that it be incorporated herein by reference.

6 **B. LTS Buyer**

7 LTS Buyer is an indirect, wholly owned subsidiary of LTS Group Holdings
8 LLC (“LTS Holdings”). Both LTS Buyer and LTS Holdings are Delaware limited liability
9 companies created for purposes of the LTS Buyer Transactions with principal offices
10 located at c/o Berkshire Partners LLC, 200 Clarendon Street, 35th Floor, Boston,
11 Massachusetts 02116. LTS Holdings has no majority owner, but certain investment funds
12 and entities controlled and/or managed by a number of investors, including Berkshire
13 Partners LLC (“Berkshire”), ABRY Partners LLC (“ABRY”), HarbourVest Partners, LLC
14 (“HarbourVest”), and Pamlico Capital (“Pamlico”), together with certain executive officers
15 of LTS Holdings and other minority investors, will own the equity of LTS Holdings.

16 The business and affairs of LTS Holdings and its subsidiaries will be
17 managed by a seven-member board of managers consisting of four members designated by
18 Berkshire, one member designated by ABRY, one member designated by Pamlico, and
19 Robert J. Shanahan, the current Chief Executive Officer of Light Tower. Mr. Shanahan
20 will serve as Chief Executive Officer of LTS Holdings and will be supported by a team of
21 management personnel with substantial experience in the telecommunications industry.

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⁵ Although the Commission recently approved the transfer of CCG’s certificate to its affiliate, Lextent, Inc.,
as noted above, the transaction that was subject of that docket has not yet occurred.

1 **II. CONTACT INFORMATION**

2 For the purposes of this Application, contacts for the Parties are as follows:

3 For CCG:

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9 With a copy to:

10 Light Tower Holdings LLC
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13 Attn: David L. Mayer, EVP and
14 General Counsel
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With a copy to :

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20 **III. DESCRIPTION OF THE FINANCING ARRANGEMENTS**

21 The Parties anticipate that the total amount of funds necessary to complete the
22 LTS Buyer Transactions will be approximately \$2.1 billion. In connection therewith, LTS
23 Buyer and certain of its wholly-owned U.S. subsidiaries designated as co-borrowers or co-
24 issuers expect to obtain debt financing in an aggregate amount of up to \$1.6 billion. The
25 debt financing may consist of one or more secured and unsecured credit facilities and/or
26 unsecured notes, in an expected aggregate amount of up to \$1.475 billion and sufficient

1 (together with equity contributions) to finance the LTS Buyer Transactions including
2 repaying the existing debt of Light Tower and Yankee. The debt financing may include
3 commitments for a senior secured revolving credit facility in an expected aggregate amount
4 of up to \$125 million, available on the closing date of the LTS Buyer Transactions for the
5 financing thereof and general working capital, and after the closing date for purposes of
6 financing working capital and general corporate purposes. In order to maintain flexibility,
7 however, CCG seeks approval to participate in debt financing in an aggregate amount of up
8 to \$1.6 billion.

9 The specific maturity date for any debt instruments issued in connection with
10 the financing will be subject to negotiation and will depend on credit conditions at the time
11 they are priced and issued. The Parties anticipate that the debt financing will consist solely
12 of long-term indebtedness. In the event that the borrowers incur bridge loans as a “bridge”
13 to long-term indebtedness, the bridge loans will likely mature one (1) year after issuance.
14 The Parties expect any long-term indebtedness incurred to mature no later than ten (10)
15 years after issuance depending on the type of facility.

16 The interest rate will likely be the market rate for similar financings and will
17 not be determined until the financing arrangements are finalized. Depending on the type of
18 debt securities, credit facility(ies) or other arrangements, the interest rate(s) will be either a
19 fixed rate (typically set at signing or closing based on then current rate index such as
20 LIBOR or Federal Funds Rate, along with an applicable margin rate) or a floating rate
21 (consisting of a base rate, which will float with a rate index such as LIBOR or Federal
22 Funds Rate, plus an applicable margin), or a combination of fixed rates and floating rates,
23 depending on credit conditions at the time they are priced and issued.

24 It is expected that (i) the obligations of LTS Buyer and any co-borrowers or
25 co-issuers under any credit facilities or notes will be unconditionally guaranteed by LTS
26 Buyer and each of its existing and future U.S. wholly-owned subsidiaries (with certain

1 exceptions including immaterial subsidiaries and “unrestricted” subsidiaries), including
2 Light Tower and Yankee and their subsidiaries, and, in the case of any secured credit
3 facilities, LTS Intermediate Holdings C LLC; and (ii) the obligations of LTS Buyer and any
4 co-borrowers under any secured credit facilities, together with obligations under the
5 guarantees, will be secured by a security interest in substantially all of the assets of LTS
6 Buyer, the co-borrowers and guarantors, in each case, now owned or later acquired,
7 including a pledge of all or substantially all of the capital stock or membership units of
8 LTS Buyer and its U.S. wholly-owned subsidiaries, and 65% of the capital stock or
9 membership units of certain of its foreign subsidiaries, subject in each case to the exclusion
10 of certain assets and additional exceptions, including exceptions related to “unrestricted”
11 subsidiaries. Upon completion of the LTS Buyer Transactions, therefore, CCG will
12 provide a guaranty and related pledge of substantially all of its assets as security for all or
13 some of the debt financing in an aggregate amount of up to \$1.6 billion.

14 In addition to the above-described debt financing arrangements, new and
15 rollover equity will provide the financing for the remainder of funds required to acquire
16 each of Light Tower and Yankee.

17 CCG’s participation in the financing arrangement will not adversely affect its
18 current or proposed operations in the State of Arizona. Accordingly, CCG requests that the
19 Commission approve CCG to encumber its Arizona assets as security for the financing
20 arrangements.

21 **IV. PUBLIC INTEREST STATEMENT**

22 The LTS Buyer Transactions, along with the financing arrangements, will
23 enhance the ability of CCG to compete effectively in the medium and large enterprise,
24 carrier and data center markets, which are subject to significant competitive forces,
25 including participation by incumbent carriers. Following the LTS Buyer Transaction, CCG
26 will continue to be capable of providing high-quality, safe and adequate

1 telecommunications services to customers at the same rates, and on the same terms and
2 conditions, as it is capable of providing today (subject to change in the future pursuant to
3 applicable law and contract provisions). In addition, CCG will continue to be operated by
4 highly experienced, well-qualified management, operating and technical personnel from
5 Light Tower. Indeed, the improved financial support resulting from the proposed LTS
6 Buyer Transactions, and the financing arrangements, will help to ensure a continued high
7 level of service to existing and new customers. Ultimately, the LTS Buyer Transactions
8 and the related financing arrangements will benefit businesses and consumers by enabling
9 CCG to become a stronger competitor.

10 **V. CONCLUSION**

11 For the reasons stated above, CCG respectfully submit that the public interest,
12 convenience and necessity would be served by grant of this Application. Moreover, in light
13 of the vigorous competition that already exists with respect to services provided by entities
14 such as CCG in the State of Arizona, and the benefits that will be available to consumers as
15 a result of the LTS Buyer Transactions, CCG respectfully requests expedited review and
16 approval of this Application so that the Parties may consummate the LTS Buyer
17 Transactions and related financing arrangements as promptly as possible.

18 RESPECTFULLY SUBMITTED this 8th day of January, 2013.

19 LEWIS AND ROCA LLP

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

26 Attorneys for CCG Communications, LLC

25 ORIGINAL and thirteen (13) copies
26 of the foregoing filed this 8th day
of January, 2013, with:

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

5 Copy of the foregoing hand-delivered
6 this 8th day of January, 2013, to:

7 Lyn Farmer, Esq.
8 Chief Administrative Law Judge
9 Hearing Division
10 Arizona Corporation Commission
11 1200 W. Washington Street
12 Phoenix, Arizona 85007

13 Maureen Scott
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