



Agenda Date: 3/24/17
Agenda Item: IVA

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE PETITION OF ALTEVA OF)
WARWICK, LLC FOR APPROVAL TO PARTICIPATE IN) ORDER
A REVOLVING CREDIT AND TERM LOAN AS)
PARTICIPANT AND GUARANTOR) DOCKET NO. TF16121198

Parties of Record:

William K. Mosca, Jr., Esq., Bevan, Mosca & Giuditta, P.C., on behalf of Alteva of Warwick, LLC

Stefanie A. Brand, Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On December 23, 2016, Alteva of Warwick, LLC ("Alteva Warwick" or "Petitioner") filed a petition with the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, requesting approval to participate in and serve as a guarantor for a Senior Secured Credit Facility.

BACKGROUND

Petitioner is a New York limited liability company with an office and principal place of business at 47 Main Street, Warwick, New York, 10990. Petitioner is a privately owned subsidiary of, ultimately, MBS Holdings, Inc., following the successful completion of the 2015 merger, approved by this Board in I/M/O the Joint Petition of Alteva, Inc. and MBS Holdings, Inc. for Approval of a Transfer of Control, BPU Docket No. TM15091046, (December 16, 2015). Specifically, Petitioner is a wholly-owned subsidiary of Alteva, Inc. ("Alteva"), which, in turn, is a wholly owned subsidiary of MBS Intermediate Holdings, LLC. ("MBS Intermediate"). Finally, MBS Intermediate is a wholly owned subsidiary of MBS Holdings, Inc. ("MBS Holdings").

The Petitioner provides local, network, network access, long distance, and directory services and products through its telephone company operations, as well as non-regulated services through itself or its affiliates in New Jersey and parts of Upstate New York. In New Jersey, Alteva Warwick operates as an incumbent local exchange carrier in Sussex and Passaic Counties. Petitioner is also a competitive local exchange carrier and provides interexchange services elsewhere in the State pursuant to the authority granted by this Board in I/M/O the Petition of Warwick Valley Telephone Company for Authority to Provide Local Exchange Service, and Interexchange Toll Service In New Jersey, BPU Docket No. TE98090985, (March 3, 1999).

DISCUSSION

The proposed financing consists of two facilities – a Revolving Credit Facility and a Term Loan Facility. The facilities are currently being arranged by JPMorgan Chase Bank, N.A. and Regions Capital Markets, a Division of Regions Bank. The Lenders will be a syndicate of banks, financial institutions and other entities, currently including Chase and Regions Bank. The Borrower is MBS Intermediate.

The Revolving Credit Facility initially consists of a five year revolving credit facility in the amount of \$15,000,000, with \$3,300,000 available for the issuance of letters of credit from Chase, and \$5,000,000 available for swing line loans. This Revolving Credit Facility will be available on a revolving basis ending on the fifth anniversary of the Closing Date. The Term Loan Facility is in the amount of \$45,000,000 and will mature on the fifth anniversary of the closing date. The Borrower may request an increase not to exceed \$30,000,000 to the Revolving Credit Facility or Term Loan commitment levels by obtaining additional commitments from one or more of the Lenders. The Borrower may elect the interest rate option from a number of possibilities set forth in detail in the Term Sheet. These options, for both Facilities, allow for the greatest of (1) the Prime Rate declared by Chase; (2) the federal funds effective rate plus 0.5%; (3) a one month LIBO rate plus 1%; or (4) a borrower-selected one, three, or six month LIBR rate ("Eurodollar Loan"); plus on any option an administratively set Applicable Margin. Swing Line Loans may not use the Eurodollar Loan option.

Petitioner asserts that participation in the proposed financing arrangement will serve the public interest because it provides access to necessary capital for growth, is being conducted in a transparent manner, and provides flexibility to maintain and expand its networks and services to customers. The proceeds of both facilities will be primarily used to refinance, at a lower interest rate, existing indebtedness of Alteva, as well as finance the general working capital needs and general corporate purposes of the Petitioner and associated borrowers. Both Facilities will be secured by a first perfected security interest in substantially all of the assets of the MBS Holding, MBS Intermediate, and all other subsidiaries of the holding companies, incorporating a pledge of equity interest for all the operating companies, including Alteva Warwick.

By the petition, the closing date was expected to be on or before March 15, 2017. However, by submission dated February 2, 2017, Petitioner notified that closing had occurred on January 25, 2017. Nonetheless, no guaranty obligations for Petitioner will be effective until all regulatory approvals have been received.

The Division of Rate Counsel has reviewed this matter including the additional information provided by Petitioner and, by letter dated February 24, 2017, stated it has no objection to the Board's approval of this petition. Specifically, Rate Counsel notes that Petitioner has provided all the information required under the applicable statutes and Board regulation regarding approval of debt, and Petitioner's contemplated financing is not contrary to the public interest and will serve a beneficial purpose for New Jersey customers. Rate Counsel further indicates that it supports action which promotes increased competition in the New Jersey telecommunications market for the benefit of residential and business customers.

FINDINGS AND CONCLUSIONS

The Board, after investigation, having considered the record and exhibits submitted in this matter, **FINDS** that the actions proposed to be taken by Petitioner, as described in the petition and in the Term Sheet included therein, are in accordance with law, are in the public interest, and approving the purposes thereof, **HEREBY AUTHORIZES**, as within time, Alteva of Warwick, LLC to participate in and serve as a guarantor for a Senior Secured Credit Facility.

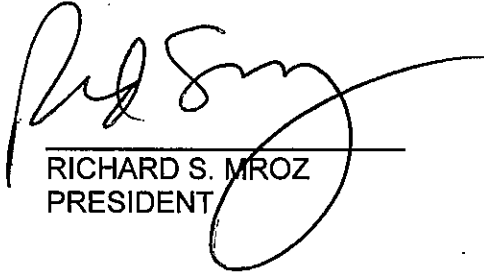
This Order is issued subject to the following provisions:

1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioner.
2. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Alteva Warwick.
3. Petitioner shall notify the Board within five (5) business days of any material changes in the proposed financing and shall provide complete details of such changes including any anticipated effects upon service in New Jersey.
4. Petitioner shall notify the Board within five (5) business days of such occurrence of any material default in the terms of the proposed financing.
5. Notwithstanding anything to the contrary in the documents executed pursuant to the Senior Secured Credit Facility or other supporting documents, a default or assignment under such agreement shall not constitute automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:2-1 et seq. where applicable.

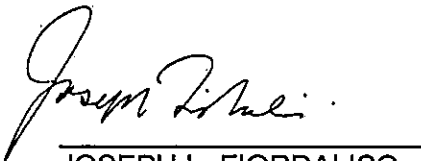
This Order shall become effective on April 3, 2017.

DATED: 3/24/17

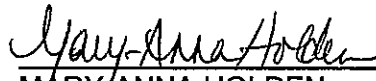
BOARD OF PUBLIC UTILITIES
BY:



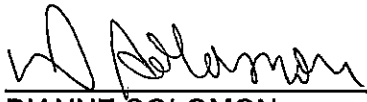
RICHARD S. MROZ
PRESIDENT



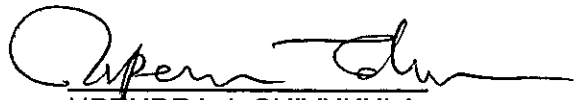
JOSEPH L. FIORDALISO
COMMISSIONER



MARY ANNA HOLDEN
COMMISSIONER

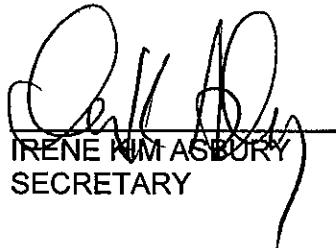


DIANNE SOLOMON
COMMISSIONER



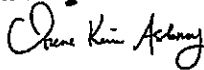
UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:



IRENE NIM ASBURY
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public Utilities



**IN THE MATTER OF THE PETITION OF ALTEVA OF WARWICK, LLC FOR APPROVAL TO
PARTICIPATE IN A REVOLVING CREDIT AND TERM LOAN AS PARTICIPANT AND
GUARANTOR - BPU DOCKET NO. TF16121198**

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