



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 VERIFIED JOINT PETITION)
OF COMMUNICATIONS SALES AND LEASING, INC.)
(TRANSFEREE) AND PEG BANDWIDTH HOLDINGS,)
LLC (TRANSFEROR), AND PEG BANDWIDTH NJ, LLC)
(LICENSEE) FOR APPROVAL OF THE TRANSFER OF)
CONTROL OF PEG BANDWIDTH NJ, LLC TO)
COMMUNICATIONS SALES AND LEASING, INC.)

ORDER

DOCKET NO. TM16010058

Parties of Record:

Dennis C. Linken, Esq., Scarinci & Hollenbeck, LLC, on behalf of Petitioners
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

On January 22, 2016, Communications Sales & Leasing, Inc. ("CSAL"); PEG Bandwidth Holdings, LLC ("PEG Holdings"); and PEG Bandwidth NJ, LLC ("PEG-NJ") (collectively, the "Petitioners") submitted a verified petition ("Petition") to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-51.1 and N.J.S.A. 48:3-10 and the regulations of the Board requesting approval for the transfer of control of PEG-NJ from PEG Holdings to CSAL (the "Transaction"). Following the proposed Transaction, PEG-NJ will continue to offer the same services in New Jersey at the same rates, terms, and conditions.

BACKGROUND

PEG-NJ is a limited liability company organized under the laws of the state of Delaware with its principal offices located in Cynwyd, Pennsylvania. PEG-NJ is a wholly-owned subsidiary of PEG Bandwidth, LLC, ("PEG Bandwidth") also a Delaware limited liability company. PEG Bandwidth does not provide telecommunications services in its own right in New Jersey. However, it owns a number of subsidiaries that are authorized telecommunications providers in 18 states and is itself certified as a telecommunications service provider in Ohio. PEG-NJ is

principally a carrier's carrier and provides telecommunications services to providers of wireless telecommunications as well as other carriers. In New Jersey, PEG-NJ is authorized to provide facilities-based local exchange, and interexchange telecommunications services. See In the Matter of the Petition of PEG Bandwidth NJ, LLC for Approval to Provide Local Exchange and Interexchange Telecommunications Services throughout the State of New Jersey, Docket No. TE12040317, Order dated August 15, 2012. PEG Bandwidth is currently controlled by PEG Holdings, a Delaware limited liability company. PEG Holdings, in turn, is held by AP PEG Bandwidth Investments, LLC, which is owned by Associated Partners, L.P. ("AP"), a Guernsey limited partnership, and KKR Wireless Investors, L.P. ("KKR"), a Delaware limited partnership. AP and KKR are investment partnerships that focus on telecommunications, Internet/media, and related technologies.

Communications Sales and Leasing, Inc. ("CSAL"), a Maryland corporation with its headquarters in Little Rock, Arkansas, is a publicly traded real estate investment trust that engages in the acquisition and construction of infrastructure in the communications industry. The Petition states that CSAL currently owns 3.5 million fiber strand miles, 235,000 route miles of copper, and other property across the U.S. CSAL does not provide telecommunications services in its own right. However, it owns Talk America Services, LLC ("TAS"), a Delaware limited liability company, which is licensed as a telecommunications service in several states. In New Jersey, TAS is authorized to provide facilities-based local exchange and interexchange services. See In the Matter of the Verified Petition of Talk America Services, LLC for Authority to Provide Facilities-Based Local Exchange and Interexchange Telecommunications Services in the State of New Jersey, Docket No. TE14111290, Order dated December 17, 2014.

According to the Petition, CSL Bandwidth Inc. ("CSL Bandwidth") is a Delaware corporation and a wholly owned subsidiary of CSAL, which was formed for the purposes of holding the ownership interests of PEG Bandwidth and its subsidiaries following the Transaction. Penn Merger Sub, LLC ("Merger Sub") is a Delaware limited liability company, wholly owned by CSL Bandwidth (and thus indirectly wholly owned by CSAL), and was created for the purpose of effectuating the proposed merger with PEG Bandwidth. Both CSL Bandwidth and Merger Sub have the same principal place of business as CSAL, and neither provides telecommunications services in their own right.

DISCUSSION

The Petition states that on January 7, 2016, CSAL, CSL Bandwidth, Merger Sub, PEG Holdings, and PEG Bandwidth entered into an Agreement and Plan of Merger ("Agreement"), pursuant to which CSAL will acquire control of PEG Bandwidth and its subsidiaries, including PEG-NJ. Specifically, as described in the Petition, under the Agreement, CSAL's indirect, wholly owned subsidiary, Merger Sub, will merge with and into PEG Bandwidth, with PEG Bandwidth surviving the merger as a wholly owned subsidiary of CSAL. As a result, PEG-NJ will become an indirect, wholly owned subsidiary of CSAL.

Petitioners state that while the Transaction will result in changes in the ultimate parent-level ownership of PEG-NJ, it is not expected to change or affect the day-to-day operations or customer-facing activities. Petitioners anticipate that customers will benefit from the enhanced access of PEG-NJ to capital and financial strengths of CSAL and the availability of additional

management expertise following the Transaction. Further, the post management of PEG-NJ will continue substantially in the same manner as pre-Transaction, but will also be able to draw upon the experience of the current management teams of CSAL and its subsidiaries.

Pursuant to N.J.S.A. 48:2-51.1(a), "the [B]oard shall evaluate the impact of [an] acquisition [of control of a public utility] on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates." In evaluating this Petition, the Board must be "satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1" as set forth above. N.J.A.C. 14:1-5.14(c). Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility, or a wholly owned subsidiary thereof, may be unable to fulfill its pension obligations to any of its employees.

Petitioners assert that approval of the proposed Transaction will serve the public interest, and will not impair the ability of the Petitioners and their subsidiaries to perform services to the public. Petitioners state that PEG-NJ will continue to offer competitive and innovative products following the Transaction at the same rates and on the same terms and conditions as currently provided. Further, the Transaction is expected to be transparent to customers of PEG-NJ and is not expected to result in the discontinuance, reduction, loss or impairment of service to any customer.

By letter to the Board dated March 30, 2016, the New Jersey Division of Rate Counsel advised that it "has no objection to the Board's grant of Petitioners' requests under the Verified Joint Petition." (Letter from Rate Counsel at 2).

FINDINGS AND CONCLUSIONS

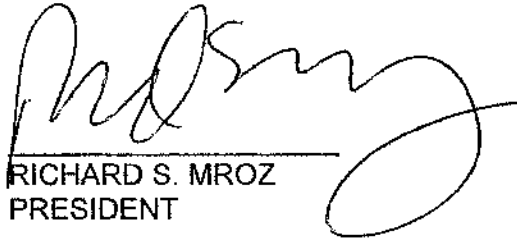
After careful review of this matter and all related documents, the Board concludes that there will be no negative impact on rates or service quality since Petitioners' New Jersey customers will continue to receive the same services from the same entities at the same rates and under the same terms and conditions. Also, the Board is satisfied that positive benefits will flow to customers based on the record presented by Petitioners as the Transaction will strengthen Petitioners' competitive posture in the telecommunications market by giving the Petitioners access to additional resources. In addition, the Board is persuaded that there will not be any adverse impact to employees of PEG-NJ.

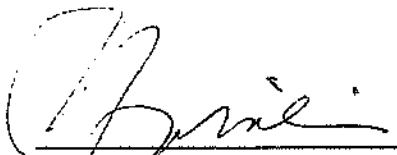
Accordingly, the Board **FINDS** that the proposed Transaction is consistent with the applicable law, is not contrary to the public interest and will have no material impact on the rates of current customers, or on New Jersey employees. The Board also **FINDS** that the proposed Transaction will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the record and exhibits submitted in this proceeding, the Board **HEREBY AUTHORIZES** Petitioners to complete the proposed Transaction.

This Order shall be effective April 27, 2016.

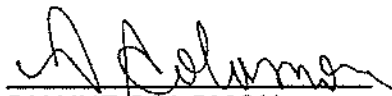
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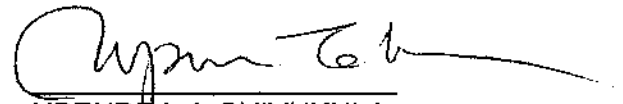
BOARD OF PUBLIC UTILITIES
BY:


RICHARD S. MROZ
PRESIDENT

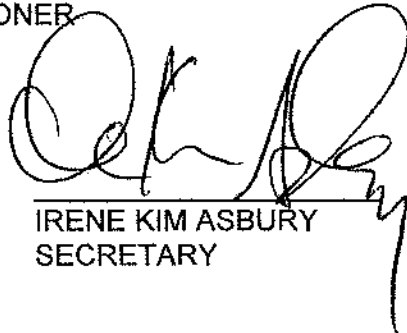

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

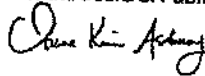

DIANNE SOLOMON
COMMISSIONER


UPENDRA J. CHIVUKULA
COMMISSIONER

ATTEST:


IRENE KIM 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 VERIFIED JOINT PETITION OF COMMUNICATIONS SALES AND LEASING, INC. (TRANSFEREE) AND PEG BANDWIDTH HOLDINGS, LLC (TRANSFEROR), AND PEG BANDWIDTH NJ, LLC (LICENSEE) FOR APPROVAL OF THE TRANSFER OF CONTROL OF PEG BANDWIDTH NJ, LLC TO COMMUNICATIONS SALES AND LEASING, INC.

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