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March 11, 2016

Via Electronic (irene.asbury@bpu.state.nj.us) and FedEx Overnight Mail

Irene Kim Asbury, Secretary
Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314
Trenton, NJ 08625

TF16030231

Re: Verified Joint Petition of DSCI, LLC and U.S. TelePacific Corp., for Approval for DSCI, LLC to Participate in Certain Financing Arrangements of U.S. TelePacific Corp.
Our File No. 41144.1000

Dear Secretary Asbury:

Our office represents DSCI, LLC and U.S. TelePacific Corp. (together, the "Petitioners"), in connection with the above-captioned matter. Enclosed herewith please find an original and 11 copies of Petitioners' Verified Petition with regard to same.

It would be appreciated if you would kindly date stamp the extra copy of this letter and the Petition and return same in the stamped, self-addressed envelope provided herein.

I thank you for your kind attention.

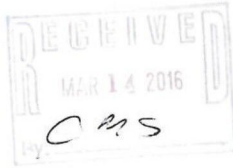
Very truly yours,

Dennis Linken /dp

Dennis C. Linken
For the Firm

DCL/dp
enc.

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STATE OF NEW JERSEY
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Verified Joint Petition of

DSCI, LLC

and

U.S. TelePacific Corp.

for Approval for DSCI, LLC to Participate in
Certain Financing Arrangements of U.S.
TelePacific Corp.

Docket No. _____

**TO THE HONORABLE COMMISSIONERS OF THE NEW JERSEY BOARD OF
PUBLIC UTILITIES:**

DSCI, LLC and U.S. TelePacific Corp. (“TelePacific”) (together, “Petitioners”), to the extent necessary pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, request Board approval for DSCI, LLC to participate in the financing arrangements, as described more fully herein, to be entered into in connection with the transfer of control of DSCI, LLC to TelePacific, and existing financing arrangements of TelePacific. To the extent necessary pursuant to N.J.S.A. 48:2-51.1 and N.J.S.A. 48:3-10 and the regulations of the Board of Public Utilities (“Board”), Petitioners are also concurrently filing a petition for approval for TelePacific to acquire control of DSCI, LLC, through a merger of DSCI, LLC with a TelePacific direct subsidiary (the “Transaction”).

Petitioners request that the Board grant all relief sought herein as expeditiously as possible, so that Petitioners can timely consummate the proposed Transaction.

In support of this Petition, Petitioners provide the following information:

I. BACKGROUND

DSCI, LLC is a privately held Delaware limited liability company and its majority owner is DSCI Holdings Corporation (“Parent”), a privately held Massachusetts corporation. Both Parent

and DSCI, LLC have their principal offices located at 303 Wyman Street, Suite 350, Waltham, MA 02451. DSCI, LLC is a competitive local exchange carrier and provider of hosted communications, managed IT and connectivity services. In New Jersey, DSCI, LLC is authorized to provide resold and facilities-based local and long distance telecommunications services pursuant to authority granted by the Board in Docket No. TE14091038 on December 17, 2014.

TelePacific is a California corporation with its headquarters located at 515 S. Flower Street, 47th Floor, Los Angeles, California 90071-2201. TelePacific Managed Services (“Merger Sub”) is a California corporation and wholly-owned subsidiary of TelePacific. TelePacific provides facilities-based business communications services, including local, long distance, data and Internet services to small-to-medium sized businesses in California, Nevada and Texas. TelePacific’s affiliate Mpower Communications Corp., a Nevada corporation, also serves customers in Nevada and California; TelePacific’s affiliate Arrival Communications, Inc., a Delaware corporation, serves customers in California; TelePacific’s affiliate TelePacific Communications Co. f/k/a Tel West Network Services Corporation, a Washington corporation, serves customers in Texas. TelePacific and its affiliates are also authorized by the FCC to provide international and domestic interstate services as non-dominant carriers. With thousands of customers, TelePacific is one of the largest telecommunications companies headquartered in California.

Pursuant to an Agreement and Plan of Merger (“Agreement”) dated March 1, 2016, TelePacific will acquire ownership and control of DSCI, LLC by merging Merger Sub with and into DSCI, LLC, with DSCI, LLC surviving the merger as a wholly owned subsidiary of TelePacific. As a result, immediately following the consummation of the Transaction, DSCI, LLC will be a direct, wholly owned subsidiary of TelePacific. For the Board’s reference pre- and post-transaction organization charts are provided as Exhibit A.

II. DESIGNATED CONTACTS

Questions, correspondence or other communications concerning this filing should be directed to:

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with a copy for U.S. TelePacific Corp. to:

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with a copy for DSCI Holdings Corporation
and DSCI, LLC:

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III. DESCRIPTION OF THE FINANCING ARRANGEMENTS

Petitioners request Board approval for DSCI, LLC to participate in the financing arrangements to be entered into concurrently with the consummation of the transfer of control Transaction as well as existing financing arrangements of TelePacific.

TelePacific and TPAC Holdings entered into an Amended and Restated Credit Agreement in November 2014 consisting of term loans in the aggregated amount of \$505 million, revolving

credit commitments in the aggregated amount of \$25 million, and an incremental facility (the "Credit Facility"). The term loans have a maturity date of November 24, 2020 and a floating interest rate of either LIBOR plus 5.0% or an alternative base rate (calculated as the greatest of (a) the bank's prime rate, (b) the Federal Funds Rate plus 1/2 of 1% and (c) LIBOR plus 1.00%) plus 4.0%. The Credit Facility is secured by substantially all of the assets of TelePacific, TPAC Holdings and certain of their subsidiaries. The Credit Facility is guaranteed by TelePacific, TPAC Holdings and certain of their subsidiaries.

Upon consummation of the Transaction, DSCI, LLC will be a subsidiary of TelePacific and therefore will be required to provide a guaranty and related pledge of assets as security for the Credit Facility. Petitioners request approval for DSCI, LLC to participate in the Credit Facility upon consummation of the Transaction.

In order to fund a portion of the purchase price and to pay costs associated with the Transaction, TelePacific expects to incur up to \$130 million in additional indebtedness (the "New Financing"). To maintain adequate flexibility to respond to market conditions and requirements, Petitioners seek approval for DSCI, LLC to participate in financing arrangements that are consistent with the parameters outlined below, which approval would permit TelePacific, to the extent market conditions may warrant, to modify the specific structure of the New Financing in a manner most favorable to TelePacific.

Debt Instruments: TelePacific intends to incur new indebtedness in an amount of up to \$130 Million, in the form of senior secured first lien notes. In order to maintain flexibility, Petitioners seek authority for DSCI, LLC to participate in debt instruments that may include such notes or debentures, conventional credit facilities, such as revolving credit facilities and term loans, letters of credit, and bridge loans, or a combination thereof.

Maturity: TelePacific expects that the additional financing arrangements will consist of long-term indebtedness with a maturity date of approximately five (5) years after issuance (consistent with the maturity dates of the Credit Facility), depending on the type of facility. In order to maintain flexibility, Petitioners seek authorization for indebtedness that matures up to eight (8) years after issuance.

Interest: Any interest rate will likely be the market rate for similar financings (including the Credit Facility) and will not be determined until the financing is finalized. Petitioners seek authorization to incur indebtedness that, depending on the type of debt securities, facility(ies) or other arrangements, accrues interest at a rate(s) that may be fixed (typically set at signing or closing based on then current market conditions) or floating (consisting of a base rate, which will float with a rate index such as LIBOR or Federal Funds Rate, plus an applicable margin), or a combination of fixed rates and floating rates. To maintain flexibility, Petitioners seek authorization for financing arrangements at an interest rate(s) at the then current market conditions for financings of such type.

Security: Some or all of the financing arrangements will be secured facilities, which will include a grant of a security interest in the assets of TelePacific and certain of its current and future subsidiaries, including DSCI, LLC. A portion of the financing arrangements may be unsecured facilities. Additionally, it is expected that TelePacific and certain of its current and future subsidiaries, including, upon completion of the Transaction, DSCI, LLC, will provide a guaranty as security for the New Financing. In order to maintain flexibility, Petitioners seek authorization for DSCI, LLC to provide a guaranty and grant a security interest in its assets to secure the full amount of the financing arrangements upon completion of the Transaction.

Purpose: While the New Financing is expected to be used to fund a portion of the purchase price and to pay costs associated with the Transaction, in order to maintain flexibility, Petitioners seek authorization for DSCI, LLC to participate in a New Financing that may be used for acquisitions, working capital requirements and other general corporate purposes of TPAC Holdings and its subsidiaries.

Petitioners request approval, upon consummation of the Transaction, for DSCI, LLC to provide a guaranty and related pledge of assets as security for the New Financing in an aggregate amount of up to \$130 million consistent with the parameters outlined above.

Participation by DSCI, LLC in the proposed financing arrangements will not adversely affect its current or proposed operations in New Jersey. The ability of the utility to fulfill pension obligations to its employees is a factor for the Board to consider pursuant to N.J.S.A. 48:3-7. DSCI, LLC does not have an employee pension plan. Employees' existing rights in any other retirement benefit plan offered by DSCI, LLC will be retained upon completion of the financing arrangements described herein. In the future, DSCI, LLC's employees may be able to rollover pre-closing contributions to their existing retirement benefits plan into another qualified benefit plan such as an Individual Retirement Rollover Account or a TelePacific retirement benefits plan.

Accordingly, Petitioners request that the Board approve the Transaction and the participation by DSCI, LLC in the proposed financing arrangements.

IV. PUBLIC INTEREST CONSIDERATIONS

The financing arrangements described herein will serve the public interest. The additional financial resources will allow the Petitioners to complete the proposed Transaction, which will enhance the ability of TelePacific and DSCI, LLC to expand their respective operations both in terms of service area coverage and through the ability of each entity to offer customers an expanded line of products and services. As a result, Petitioners believe the combined companies will be able to compete more effectively against incumbent carriers and larger competitive carriers. DSCI, LLC will continue to be operated by highly experienced, well-qualified management, operating and technical personnel. DSCI, LLC will also have access to the financial, operational and managerial resources of TelePacific, and such support will strengthen its competitive position. Such support will strengthen the competitive position of DSCI, LLC to the benefit of the telecommunications marketplace in New Jersey.

The financing arrangements are necessary and appropriate, will not impair DSCI, LLC's ability to perform such services to the public, and will promote the corporate purposes of Petitioners. The financing arrangements will be conducted in a manner that will neither involve any assignment of authorization nor result in a change of carrier for DSCI, LLC's customers. Following consummation of the financing arrangements, DSCI, LLC will continue to provide high-quality communications services to its customers without interruption and without change in rates, terms or conditions.

V. **CONCLUSION**

For the foregoing reasons, Petitioners submit that the public interest, convenience, and necessity would be furthered by grant of this Petition.

Respectfully submitted,



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Dated: March 10, 2016