

Henry Walker (615) 252-2363 Fax: (615) 252-6363 Email: hwalker@boultcummings.com

January 18, 2008

Gary Hotvedt, Hearing Officer Tennessee Regulatory Authority 460 James Robertson Pkwy. Nashville, TN 37243-0505

filed electronically in docket office on 01/18/08

Re:

Petition of CII Holdco, Inc., Memphis Networx, LLC, Memphis Light Gas & Water Division and Memphis Broadband, LLC for Approval of Change of

Control of Memphis Networx, LLC

Docket Number: 07-00178

Dear Gary:

Pursuant to the procedural schedule set forth in the Hearing Officer's decision of January 15, 2008, enclosed for filing are the direct testimony of Scott Beer and a proposed protective order

Earlier today, I circulated copies of the proposed protective order to the other parties but have not yet received any responses.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

sy:

Henry Walker

HW/dic

cc: All parties

## BEFORE THE TENNESSEE REGULATORY AUTHORITY NASHVILLE, TENNESSEE

## January 18, 2008

In re: Petition of CII Holdco, Inc., Memphis	)
Networx, LLC, Memphis Light Gas & Water	) Docket No. 07-00178
Division and Memphis Broadband, LLC for	)
Approval of Change of Control of Memphis	
Networx, LLC	

## **DIRECT TESTIMONY OF SCOTT BEER**

- 1 Q. Please state your name, address, and occupation.
- 2 A. I am Scott Beer, general counsel of CII Holdco, Inc., which is now called Zayo
- Bandwidth, Inc. ("Zayo Bandwidth"). The company is located at 950 Spruce Street,
- 4 Suite 1A, Louisville, Colorado, 80027.
- 5 Q. Please explain the purpose of your testimony.
- 6 A. The purpose of my testimony is to support the Petition filed by Zayo Bandwidth along
- with Memphis Light Gas & Water Division ("MLG&W"), Memphis Broadband, LLC,
- 8 and Memphis Networx, LLC. The Petition asks the Tennessee Regulatory Authority
- 9 ("TRA" or "Authority") to approve the indirect transfer of control of Memphis Networx
- to Zayo Bandwidth pursuant to T.C.A. §65-4-113. I would ask that the Petition, as well
- as our responses to the Staff's data requests, be made an exhibit to my testimony.
- 12 Q. Please summarize the transaction which resulted in the filing of this Petition.
- 13 A. Zayo Bandwidth entered into a contract with MLG&W and Memphis Broadband to
- purchase all of the issued and outstanding equity of Memphis Networx, a competitive
- local exchange telephone company certified by the TRA to offer intrastate
- 16 communications services. See TRA Docket 99-00909 "Application of Memphis
- 17 Networx, L.L.C.," Order issued August 9, 2001. Following the sale, Memphis Networx
- became a wholly owned subsidiary of Zayo Bandwidth. Memphis Networx continues to
- own and operate the certificate awarded by the Authority in Docket 99-00909.
- 20 Q. Please describe Zayo Bandwidth.
- 21 A. Zayo Bandwidth was recently organized to acquire and support long-term development
- of fiber-based bandwith solutions-oriented businesses. As more fully described in the

<sup>&</sup>lt;sup>1</sup> Memphis Networx is now called Zayo Bandwidth Tennessee, LLC. See Docket 07-00194. The company will still be referred to in this docket as Memphis Networx to avoid confusion with the parent company, Zayo Bandwidth.

Petition and the exhibits accompanying the Petition, Zayo Bandwidth has the technical, managerial, and financial qualifications to acquire and operate Memphis Networx. The company is operated by a highly qualified management team, all of whom have extensive backgrounds in the telecommunications industry. Attached to the Petition are description of Dan Caruso and John Scarano, the founders of Zayo Bandwidth. The owners of Zayo Bandwidth have committed substantial financial resources to the company both for the purpose of acquisitions and the funding of operations. If requested, I will provide the Authority with a confidential description of those commitments and the financial capacity of Zayo Bandwidth to acquire and operate Memphis Networx. The company recently completed the purchase of PPL Telecom, LLC located in Allentown, Pennsylvania, Indiana Fiber Works, LLC ("IFW") located in Indianapolis, Indiana and Onvoy, Inc. in Minneapolis, Minnesota. Like Memphis Networx, PPL Telecom, IFW and Onvoy provide broadband connectivity and other communication for services telecommunications carriers, internet service providers, and business users. Like Memphis Networx, PPL Telecom, IFW and Onvoy own extensive networks of fiber optic lines.

17 Q. Please describe the transaction.

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On June 7, 2007, Zayo Bandwidth entered into a "Membership Interest Purchase Agreement" with MLG&W and Memphis Broadband to purchase for \$11,500,000 all of the issued and outstanding equity of Memphis Networx. A confidential copy of the "Membership Interest Purchase Agreement" is attached to the Petition as Exhibit 2. The sale, which was consummated on July 30, 2007, did not affect the operating authority of Memphis Networx which remains with Memphis Networx. Following the consummation of the transaction, Memphis Networx continues to offer service with no material change

in the management of the company or in its rates, terms or conditions of service to its customers. The transfer of control and the indirect transfer of the certificate has been seamless and transparent to customers. Memphis Networx continues to provide high quality communications services and, as a result of this transaction, now has access to the necessary financial resources to introduce new products and services in order to remain competitive in the telecommunications industry.

7 Q. Please describe how this transaction will serve the public interest.

The transaction provides Memphis Networx access to the substantial technical and management expertise and financial resources of Zayo Bandwidth. These benefits are expected to strengthen the ability of Memphis Networx to expand its offerings and provide more advanced telecommunications services to a broader customer base. Zayo Bandwidth expects that the proposed acquisition will enable Memphis Networx to strengthen its competitive positions to the benefit of customers and the telecommunications marketplace.

This transaction will also benefit the public interest by eliminating the need for the numerous audits and operational requirements which were agreed to by Memphis Networx and approved by the Authority in order to comply with the provisions of T.C.A. §7-52-103, concerning the offering of telecommunications services by a municipal electric utility such as MLG&W in a joint venture with a third party such as Memphis Broadband. See TRA Docket 99-00909, Final Order at pp. 29-34. Now that this transaction has been completed, these statutory restrictions no longer apply to Memphis Networx and the extensive conditions imposed in Docket 99-00909 pursuant to those statutes are moot.

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- Q. Please explain why you are now seeking retroactive approval of the indirect transfer of
   control.
  - A. As we told the Authority when we filed the Petition, Networx had "an immediate need for the additional financial support that CII [Zayo Bandwidth] will provide." We explained at that time that it might "be necessary to close the transaction before the TRA had the opportunity to fully review and rule upon the Petition" and that, in those circumstances, Zayo Bandwidth would "request that such approval be granted <u>nunc protune</u>." See footnote 1 of the cover letter accompanying the Petition. That is, in fact, exactly what occurred. Memphis Networx needed immediate financial help that the company's prior owners were unable to provide. Therefore, in an effort to avoid certain third parties from foreclosing on certain Memphis Networx assets and an interruption in services to Memphis Networx customers, we closed the transaction on July 30, 2007, in order to insure the continued operation of Networx.
- 14 Q. Are you still seeking TRA approval of this transaction.
- 15 A. Yes. Although the certificate of Networx has not been transferred and we believe that 16 T.C.A. §65-4-113 is not strictly applicable to this transaction, we have provided in the 17 Petition and in our responses to the Staff's Data Requests information to demonstrate that 18 Zayo Bandwidth has the managerial, technical, and financial abilities to operate Memphis 19 Networx. Furthermore, it is my understanding that the TRA has, on several occasions, 20 given nunc pro tunc approval to similar transaction. See TRA Docket 03-00470, Order 21 issued October 16, 2005 (approving a change in control which occurred six months 22 earlier); TRA Docket 02-00286, Order issued April 24, 2002, (approving a change in 23 control which occurred five months earlier); TRA Docket 00-00690, Order issued 24 January 24, 2001 (approving a transfer which occurred twenty months earlier); and TRA

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1		Docket 99-00327, Order issued July 29, 1999 (approving a change of control which
2		occurred six months earlier where the transaction "had to be completed on a expedited
3		basis.")
4	Q.	In conclusion, what do you ask the Authority to do?
5	A.	The purchase of Memphis Networx by Zayo Bandwidth benefits the consuming public.
6		The immediate impact of the transaction has been transparent to the public, and the
7		purchase allows Memphis Networx access to the additional financial resources it needs to
8		expand and improve its service. The benefit from increased economics of scale and the
9		elimination of the operational limitations and audit requirements imposed pursuant to
10		T.C.A. §7-52-103 will allow Memphis Networx to operate more efficiently and compete
11		more effectively.
12		For those reasons, Petitioners respectfully request that the TRA approve this
13		indirect transfer of the certificate.
14	Q.	Does that conclude your testimony?

Yes.

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A.

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 4 day of January, 2008

( ) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( ) E-Mail	Jamie Hollin Farris Mathews Branan Bobango Hellen & Dunlap, PLC Historic Castner-Knott Building 618 Church Street, Ste. 300 Nashville, TN 37219
( ) Hand ( ) Mail ( ) Fax ( ) Fed. Ex.	Allan J. Wade Law Offices of Allan J. Wade, PLLC One Commerce Street, Ste. 2275 Memphis, TN 38103

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## BEFORE THE TENNESSEE REGULATORY AUTHORITY NASHVILLE, TENNESSEE

#### **JANUARY 18, 2008**

In re: Petition of CII Holdco, Inc., Memphis	)	
Networx, LLC, Memphis Light Gas & Water Division	)	Docket No. 07-00178
and Memphis Broadband, LLC for Approval of		
Change of Control of Memphis Networx, LLC	)	

#### PROTECTIVE ORDER

To expedite the flow of filings, exhibits and other materials, and to facilitate the prompt resolution of disputes as to the confidentiality of material, adequately protect material entitled to be kept confidential and to ensure that protection is afforded only to material so entitled, the Tennessee Regulatory Authority ("TRA") hereby orders that:

1. For the purpose of this Protective Order ("Order"), proprietary or confidential information, hereinafter referred to as CONFIDENTIAL INFORMATION, shall mean documents, testimony, or information in whatever form which the producing party, in good faith, and based on reasonable inquiry, deems to contain trade secrets, confidential research, development or other sensitive information protected by state or federal law, regulation or rule, and which has been specifically designated by the producing party. A producing party is defined as the party creating the CONFIDENTIAL INFORMATION as well as the party having actual physical possession of information produced pursuant to this Order. All summaries, notes, extracts, compilations or other direct or indirect reproduction from or of any protected materials, shall be entitled to protection under this Order. Documents containing CONFIDENTIAL INFORMATION shall be conspicuously

and specifically labeled as "CONFIDENTIAL" on each page containing CONFIDENTIAL INFORMATION and on the cover page. The documents must be produced in a way that will clearly identify to others that it contains CONFIDENTIAL INFORMATION. Any document so designated shall be handled in accordance with this Order. The provisions of any document containing CONFIDENTIAL INFORMATION may be challenged under paragraph 10 of this Order.

- 2. Any individual or company subject to this Order, including producing parties or persons reviewing CONFIDENTIAL INFORMATION, shall act in good faith in discharging their obligations hereunder.
- 3. Subject to the exceptions noted below in this Paragraph 3, CONFIDENTIAL INFORMATION shall be disclosed only to the following persons:
  - (a) outside counsel of record for the parties in this case and associates, secretaries, and paralegals actively engaged in assisting outside counsel of record in this docket and any appeals therefrom;
  - (b) in-house counsel for the parties;
  - (c) officers, directors, or employees of the parties, including employees of the Office of the Tennessee Attorney General; provided, however, that CONFIDENTIAL INFORMATION shall be shown only to those persons having a need to know; and provided further that such officers, directors, and/or employees shall be subject to the provisions of this Protective Order, and shall not disclose such information further except as otherwise permitted under the terms of this Protective Order;
  - (d) TRA Directors and members of the staff of the TRA;
  - (e) outside consultants and expert witnesses employed or retained by the parties or their counsel, who have access to CONFIDENTIAL INFORMATION solely for evaluation, testing, testimony, preparation for trial or other services related to this docket, provided that to the extent that any party seeks to disclose CONFIDENTIAL INFORMATION to any outside consultant or expert witness who is expected to testify on that party's behalf, the party shall give five (5) days written notice to the producing party of intention to disclose CONFIDENTIAL INFORMATION. During such notice period, the

producing party may move to prevent or limit disclosure for cause, in which case no disclosure shall be made until the TRA, the Hearing Officer, the Administrative Law Judge or court rules on the motion. Any such motion shall be filed within three (3) days after service of the notice. Any response shall be filed within three (3) days after service of the notice. Prehearing conferences may be called to confer with the parties on the Motions to Limit Disclosure. All service shall be by hand delivery, e-mail or by facsimile.

Notwithstanding anything else to the contrary, under no circumstances shall any CONFIDENTIAL INFORMATION be disclosed to or discussed with anyone directly associated with the marketing of services in competition with the products, goods or services of the producing party.

- 4. Prior to disclosure of CONFIDENTIAL INFORMATION to any of the authorized persons, the counsel representing the party who is to receive the CONFIDENTIAL INFORMATION shall provide a copy of this Order to the recipient Director, staff member, employee or, officer, who shall be bound by the terms of this Order. Prior to disclosure of CONFIDENTIAL INFORMATION to any outside consultant or expert witness employed or retained by a party, counsel shall provide a copy of this Order to such outside consultant or expert witness, who shall sign an Affidavit in the form of that attached to this Order attesting that he or she has read a copy of this Order, that he or she understands and agrees to be bound by the terms of this Order, and that he or she understands that unauthorized disclosure of the documents labeled "CONFIDENTIAL" constitutes a violation of this Order. This Affidavit shall be signed in the presence of and be notarized by a notary public. Counsel of record for each party shall provide the producing party a copy of each such Affidavit for retained experts expected to be called as a witness at the hearing of this matter and shall keep the Affidavits executed by all experts or consultants retained by that party, whether or not expected to be called as a witness, on file in their respective offices.
  - 5. If any party or non-party subject to this Order inadvertently fails to label documents as

"CONFIDENTIAL" in accordance with the provisions of this Order when producing such documents, such failure shall not constitute a waiver of confidentiality, provided the party or non-party who has produced the document shall notify the recipient of the document in writing within five (5) days of discovery of such inadvertent failure to label the document as "CONFIDENTIAL." At that time, the recipients will immediately treat the subject document as CONFIDENTIAL INFORMATION. In no event shall the TRA, or any other party to this Order, be liable for any claims or damages resulting from the disclosure of a document while not so labeled as "CONFIDENTIAL." An inadvertent failure to label a document as "CONFIDENTIAL" shall not, in any way, affect the TRA's determination as to whether the document is entitled to CONFIDENTIAL INFORMATION status.

otherwise disclose documents covered by the terms of this Order, or any information contained therein, shall be filed with the TRA in sealed envelopes labeled "CONFIDENTIAL." The filing party shall also include with the filing a public version of the papers with any CONFIDENTIAL INFORMATION redacted. Only the redacted public version may be placed in the TRA's public file and/or posted on the TRA website. Each sealed envelope shall be labeled to reflect the style and docket number of this proceeding and to identify the subject matter of the content of the sealed envelope. The envelopes shall be maintained in a locked filing cabinet. The envelopes shall not be opened or their contents reviewed by anyone except upon order by the TRA, Hearing Officer, or Administrative Law Judge after due notice to counsel of record. Notwithstanding the foregoing, the Directors and the staff of the TRA may review any paper filed as CONFIDENTIAL INFORMATION and labeled "CONFIDENTIAL" without obtaining an order of the TRA, Hearing

Officer, or Administrative Law Judge, provided the Directors and staff maintain the confidentiality of the paper in accordance with the terms of this Order.

- 7. Documents, information and testimony designated as CONFIDENTIAL INFORMATION and labeled "CONFIDENTIAL," in accordance with this Order, may be disclosed in testimony at the Hearing on the merits of this proceeding and offered into evidence in any hearing related to this action, subject to the applicable Rules of Evidence and to such future orders as the TRA, Hearing Officer, or Administrative Law Judge may enter. Any party intending to use documents, information, or testimony designated as CONFIDENTIAL INFORMATION shall inform the producing party and the TRA, Hearing Officer, or Administrative Law Judge, prior to the Hearing on the merits of the case, of the proposed use, and shall advise the TRA, the Hearing Officer, or Administrative Law Judge, and the producing party before use of such information during witness examinations so that appropriate measures can be taken by the TRA, Hearing Officer, or Administrative Law Judge to protect the confidential nature of the information.
- 8. Except for documents filed with the TRA, all documents covered by the terms of this Order that are disclosed to the requesting party shall be maintained separately in files labeled "CONFIDENTIAL" and labeled with reference to this Order at the offices of the requesting party's counsel of record.
- 9. Nothing herein shall be construed as preventing any party from continuing to use and disclose any information (a) that is in the public domain, or (b) that subsequently becomes part of the public domain through no act of such party, or violation of this Order, or (c) that is disclosed to it by a third party, where said disclosure does not itself violate any contractual or legal obligation or terms of this Order, or (d) that is independently developed by a party, or (e) that is known or used by it

prior to this proceeding. The burden of establishing the existence of (a) through (e) shall be upon the party attempting to use or disclose such information.

- 10. Any party may contest the designation of any document or information as CONFIDENTIAL INFORMATION by filing a motion with the TRA, Hearing Officer, Administrative Law Judge or the courts, as appropriate, for a ruling that the documents, information, or testimony should not be so treated. All documents, information and testimony designated as CONFIDENTIAL INFORMATION, however, shall be maintained as such until the TRA, Hearing Officer, Administrative Law Judge, or a court orders otherwise. A motion to contest must be filed not later than five (5) days after receipt of the material designated CONFIDENTIAL INFORMATION or ten (10) days prior to the Hearing on the merits, whichever date occurs later in time. Any reply seeking to protect the status of their CONFIDENTIAL INFORMATION must be received not later than five (5) days prior to the Hearing on the merits. Motions made and subsequent replies received within the five (5) days prior to the Hearing on the merits shall be presented to the TRA at the Hearing on the merits for a ruling.
- 11. Non-party witnesses shall be entitled to invoke the provisions of this Order by designating information disclosed or documents produced for use in this action as CONFIDENTIAL INFORMATION pursuant to the terms of this Order.
- 12. No person authorized under the terms herein to receive access to documents, information, or testimony designated as CONFIDENTIAL INFORMATION shall be granted access until such person has complied with the requirements set forth in paragraph 4 of this Order.
- 13. Any person to whom disclosure or inspection is made in violation of this Order shall be bound by the terms of this Order.

- 14. Upon an order becoming final in this proceeding and conclusion of any appeals resulting from such an order, all the filings, exhibits and other materials designated as CONFIDENTIAL INFORMATION and all copies thereof shall be returned to counsel of the party who produced the filings, exhibits and other materials within fifteen (15) days of a written request from the producing party, or counsel in possession of such documents shall certify to counsel of the producing party that all the filings, exhibits and other materials designated as CONFIDENTIAL INFORMATION and all copies thereof have been destroyed. Subject to the requirements of Paragraph 7 above, the TRA shall retain copies of information designated as Confidential or Protected Security Materials as may be necessary to maintain the record of this cause intact.
- 15. After termination of this proceeding, the provisions of this Order relating to the secrecy and confidential nature of confidential documents, information and testimony shall continue to be binding, upon parties hereto and their officers, employers, employees, agents, and/or others for five (5) years unless this Order is vacated or modified.
- 16. Nothing herein shall prevent a party from seeking further protection for particular documents or prevent entry of a subsequent order, upon an appropriate showing, requiring that any documents, information or testimony designated as CONFIDENTIAL INFORMATION, shall receive protection other than that provided herein.
- 17. All information, documents and things designated as CONFIDENTIAL INFORMATION and produced in accordance with this Order may be disclosed in testimony or offered into evidence at any TRA or court hearing, trial, motion or proceeding of this matter, subject to the provisions of this Order, including Paragraph 7, and the applicable Rules of Evidence and any order the TRA may enter to protect the confidentiality of information offered at any hearing or other proceeding. The

party who produced the information, documents and things designated as CONFIDENTIAL INFORMATION agrees to stipulate to the authentication of such information, documents and things in any such proceeding. If any Party identifies information in the CONFIDENTIAL INFORMATION the indicates that illegal conduct (civil or criminal) has occurred or may occur, nothing in this Order shall prevent such party from reporting such alleged conduct to the appropriate law enforcement or regulatory agency.

- 18. Nothing in this Agreement is intended to restrict or alter federal or state laws, regulations or rules.
- 19. Any person who has signed a non-disclosure certificate or is otherwise bound by the terms of this Order shall continue to be bound by this Order and/or certificate even if no longer engaged by the TRA or Intervenors.
- 20. Any party aggrieved with the TRA's decision in this matter may file a Petition for Reconsideration with the TRA within fifteen (15) days from and after the date of this Order.
- 21. Any party aggrieved with the TRA's decision in this matter has the right of judicial review by filing a Petition for Review in the Tennessee Court of Appeals, Middle Section, within sixty (60) days from and after the date of this Order.

HEARING OFFICER

#### AGREED TO AND APPROVED FOR ENTRY:

## BOULT, CUMMINGS, CONNERS & BERRY, PLC

By:

Henry M. Walker

1600 Division Street, Suite 700

P. O. Box 340025

Nashville, TN 37203

(615) 252-2363 – Telephone

(615) 252-2380 — Facsimile Counsel for CII Holdco, Inc.

### FARRIS MATHEWS BRANAN BOBANGO HELLEN & DUNLAP, PLC

By:	_
Jamie R. Hollin	
618 Church Street, Suite 300	
Nashville, TN 37219	
(615) 687-4243 – Telephone	
(615) 726-1776 – Facsimile	
Counsel for Tennessee Cable Telecommun	ications Association

## LAW OFFICES OF ALLAN J. WADE, PLLC

By:	
Allan J. Wade	
One Commerce Square, Suite 2275	
Memphis, TN 38130	
(901) 322-8005 — Telephone	
(901) 322-8007 – Facsimile	
Counsel for the City of Memphis	

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing has been served, via the method(s) indicate			
below, on the following counsel of	record, this the day of January, 2008		
( ) Hand ( ) Mail ( ) Fax ( ) Fed. Ex. ( - ) E-Mail	Jamie Hollin Farris Mathews Branan Bobango Hellen & Dunlap, PLC Historic Castner-Knott Building 618 Church Street, Ste. 300 Nashville, TN 37219		
( ) Hand ( ) Mail ( ) Fax ( ) Fed. Ex.	Allan J. Wade Law Offices of Allan J. Wade, PLLC One Commerce Street, Ste. 2275 Memphis, TN 38103		

# BEFORE THE TENNESSEE REGULATORY AUTHORITY NASHVILLE, TENNESSEE

In re: Petition of CII Holdco, Inc., Memphi. Networx, LLC, Memphis Light Gas & Water Division and Memphis Broadband, LLC for Approval of Change of Control of Memphis Networx, LLC	Docket No. 07-00178
AGREEMENT TO COMPLY WIT	TH PROTECTIVE ORDER
I have reviewed the Protective Order entered is and be bound by its terms. I understand that un "CONFIDENTIAL" will be a violation of the Order.	authorized disclosure of documents labeled
DATE	NAME
STATE OF)	
COUNTY OF)	
	am personally acquainted, who acknowledged
that he executed the within instrument for the purpor	
WITNESS my hand, at office, this day of _	
	NOTARY PUBLIC
My Commission Expires:	