

Claricom is a limited liability company organized under the laws of the State of Delaware with its principal offices located in Oklahoma. Claricom provides domestic and international long distance services to businesses and residential customers throughout the continental United States. Claricom was initially authorized to provide intrastate interexchange telecommunications in Tennessee as Clarity Telecom LD Network Services, Inc. by Authority Order in Docket No. 97-00143 on July 30, 1997. In Docket No. 98-00014 on February 3, 1998, the Authority

approved the name change for Clarity Telecom LD Networks Services, Inc. to Claricom Networks, Inc. On June 20, 2005, Claricom notified the Authority that it had changed its business structure from a corporation to a limited liability company and requested that its certificate of authority be amended to reflect its name as Claricom Networks, LLC. The name change was approved by Authority Order in Docket 05-00167 on October 3, 2005. Claricom is certified as an interexchange reseller in the forty-eight contiguous states where certification is required and as a competitive local exchange carrier in twenty-two states. Claricom also provides interstate and international telecommunications services pursuant to the authority granted by the Federal Communications Commission ("FCC").

Stacom is a Delaware limited liability company with its principal offices located in California. Stacom is a holding company and holds approximately 100% of the membership interest of Claricom. Stacom in turn is a wholly-owned subsidiary of Platinum.

Matrix is a corporation organized under the laws of the State of Texas with its principal offices in Oklahoma. Matrix provides domestic and international long distance services to business and residential customers throughout the United States. Matrix is authorized to provide intrastate inter-exchange telecommunications services in Tennessee.¹ Matrix is certified as an interexchange reseller in all fifty states and as a competitive local exchange carrier in thirty-six states, including Tennessee, by Authority Order in Docket 05-00083 on June 30, 2005. Matrix also provides interstate and international telecommunications services pursuant to the authority granted by the FCC.

ETAC is a corporation organized under the laws of the State of Delaware with its principal offices located in California. ETAC is a holding company and holds all of the issued

¹ Matrix Telecom, Inc. was granted authority to resell interexchange long distance telecommunication services in Tennessee by the Tennessee Public Service Commission in Docket No. 95-03215 at a conference held on October 11, 1995 (*See Order* dated October 13, 1995).

and outstanding capital stock of Matrix. ETAC in turn is a wholly-owned subsidiary of Platinum.

Platinum is a Delaware limited liability company formed as a vehicle for the acquisition of companies and is the ultimate parent of Matrix, ETAC, Claricom, and Stacom. Platinum's portfolio companies are primarily mission-critical service and solutions providers. The Platinum portfolio is comprised of 21 business owners, with over 40,000 employees serving more than 600,000 customers worldwide.

The Joint Application

The *Joint Application*, filed on September 21, 2005, requests Authority approval of the proposed transfer of all the membership interest of Claricom, currently held by Stacom, ultimately to Matrix and of the merger of Claricom with and into Matrix.

According to the *Joint Application*, Matrix was acquired by Platinum in 1999, and Claricom was acquired by Platinum in 2001. Since their acquisitions, Matrix and Claricom have operated as separate entities but under common management. The *Joint Application* states that since both Matrix and Claricom provide the same services to the same markets, it was determined that their customers can be served more efficiently by combining Matrix and Claricom into one company. The Applicants seek approval of the transfer of the membership interests of Claricom, currently held by Stacom, initially to Platinum, which will then transfer those interests to ETAC. The final transfer of the membership interests of Claricom will be from ETAC to Matrix. Claricom will then be merged with and into Matrix with Matrix being the surviving entity. The *Joint Application* states that upon completion of the transaction, the customers of Claricom will be served by Matrix, and Claricom will cease to exist. As a result of the transaction, Claricom would surrender its certification effective December 31, 2005.

The *Joint Application* asserts that letters of notification will be sent to all other states in which Matrix and Claricom operate, each customer and/or subscriber will receive the requisite advance notice, and there will be no change in rates, terms or conditions of service.

According to the Applicants, this transaction serves the public interest in promoting competition in the intrastate inter-exchange and local telecommunications market by combining Claricom's customer base with Matrix's current customers to strengthen Matrix's competitive position. The Applicants assert that the transaction will permit Matrix to realize significant economic and marketing efficiencies that will enhance its ability to continue providing high quality, low cost telecommunications services and to compete more effectively in the telecommunications market. According to the *Joint Application*, Matrix's operations will more readily increase in size and profitability, due to enhanced economies of scale, and the transaction will benefit customers through improved services and lower rates, thereby promoting competition in the telecommunications market. In addition, the Applicants state that all managerial and technical aspects of the provision of reliable telecommunication services will be handled in the same manner and by the same individuals who currently provide the managerial and technical support for Claricom.

November 21, 2005 Authority Conference

The Applicants filed the *Joint Application* pursuant to Tenn. Code Ann. § 65-4-112 (2004). Tenn. Code Ann. § 65-4-112(a) (2004) governs TRA approval of mergers or consolidations between two or more public utilities holding Certificates of Public Convenience and Necessity ("CCN") in the State of Tennessee and is applicable in this docket. It provides as follows:

- a) No lease of its property, rights, or franchises, by any such public utility, and no merger or consolidation of its property, rights and franchises by any such public utility with the property, rights and franchises of any other such public utility of like character

shall be valid until approved by the authority, even though power to take such action has been conferred on such public utility by the state of Tennessee or by any political subdivision of the state.

In addition, TRA Rule 1220-4-2-.56(2)(d) is applicable to a transfer of customer base. It states:

(d) In the case of a transfer of a customer base between two or more telecommunications service providers, the Authority, upon petition by the acquiring telecommunications service provider, may deem that sufficient notice has been given and approval received from the affected customers when the following criteria are met:

...

2. A notification letter, pre-approved by the Authority, shall be mailed by the current provider of telecommunications service to its customers describing the customer transfer and explaining that unless the customer selects another telecommunications service provider, the customers' local or long distance service will be transferred to the acquiring telecommunications service provider by a date specified in the notification letter. The notification letter shall be mailed by U.S. First Class Postage, with the logo or name of the current provider displayed on both the letterhead and the exterior envelope, no less than thirty (30) days prior to the actual customer transfer. For good cause shown, the Authority may waive any requirement of this part or order any requirement thereof to be fulfilled by the acquiring provider. Good cause includes, but is not limited to, evidence that the current provider is no longer providing service in Tennessee.

3. The acquiring telecommunications service provider agrees to pay any fees charged to the customer associated with changing service to the acquiring telecommunications service provider. The notification letter required in 1220-4-2-.56(2)(d)(2) shall inform the customer of this provision.

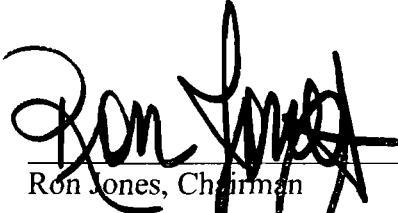
4. The acquiring telecommunications service provider agrees to provide to the affected customers a thirty (30) day written notice of any rate increase that may affect their service up to ninety (90) days from the date of the transfer of customers. The notification letter mentioned in 1220-4-2-.56(2)(d)(2) shall inform the customer of this provision.

At a regularly scheduled Authority Conference held on November 21, 2005, the panel found that no intervention had been filed to contest the Applicants' assertion that the transfer will benefit customers and increase competition, nor to contest any other aspect of the merger. The panel also found that Matrix will survive the transactions as a certificated competing carrier and continue to provide competitive services to

Tennesseans. Based on its findings, the panel voted unanimously to approve the *Joint Application* pursuant to Tenn. Code Ann. § 65-4-112 (2004) and to approve the customer notification letter pursuant to TRA Rule 1220-4-2-.56(2)(d). The panel also voted unanimously that the parties be required to file a copy of the notice filed with the FCC in this docket and that Claricom's CCN be cancelled effective January 1, 2006.

IT IS THEREFORE ORDERED THAT:

1. The merger of Claricom Networks, LLC into Matrix Telecom, Inc. as described in the *Joint Application* and discussed herein is approved.
2. The Applicants shall file with the Authority the notice filed with the Federal Communications Commission regarding this transaction.
3. The Certificate of Public Convenience and Necessity held by Claricom Networks, LLC shall be canceled at the Company's request effective January 1, 2006.
4. Pursuant to TRA Rule 1220-4-2-.56 (2)(d), the customer notification letter filed with the Authority on October 12, 2005 is approved.



Ron Jones, Chairman



Pat Miller, Director



Sara Kyle, Director