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November 11, 2005

VIA UPS

Ms. Sharla Dillon, Docket Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

05-00311

Re: Petition of Trinsic Communications, Inc. and Touch 1 Communications,
Inc. for Authority to Provide Security in Connection with Financing

Dear Mr. Waddell:

Enclosed for filing with the Tennessee Regulatory Authority, please find an original, thirteen (13) copies and a duplicate copy of the above-referenced petition. Please also find a check in the amount of \$50.00 to cover the filing fee and a self-addressed, postage-paid envelope. Please date-stamp the duplicate upon receipt and return it in the envelope provided. Should there be any questions with respect to this filing, please contact Melissa Conway at (202) 955-9667.

Respectfully submitted,

Melissa Conway

Melissa Conway

MSC:cpa

Enclosures

DC01/CONWM/240551 1

PAID T.R.A.	
Chk #	8329
Amount	50.00
Rcvd By	LR
Date	11-14-05

**Before the
TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee**

Petition of)
TRINSIC COMMUNICATIONS, INC. AND)
TOUCH 1 COMMUNICATIONS, INC.)
)
For Authority to Provide Security)
in Connection with Financing)

PETITION

TRINSIC COMMUNICATIONS, INC. ("Trinsic")¹ and TOUCH 1 COMMUNICATIONS, INC. ("Touch 1")² (together, the "Petitioners"), by their attorneys, hereby respectfully request approval, to the extent it may be necessary³, from the Tennessee Regulatory Authority ("TRA"), pursuant to T.C.A. §65-4-109, to incur indebtedness in connection with financing, along with Petitioners' parent corporation, Trinsic, Inc. ("Parent", and together with Petitioners,

¹ The TRA authorized Z-Tel Communications, Inc. to provide operator services and/or resell telecommunications services in Docket No. 98-00410 on September 15, 1998. On March 22, 2001, the TRA authorized Z-Tel Communications, Inc. to provide facilities-based local exchange telecommunications services in Docket No. 00-99861. Z-Tel Communications, Inc. subsequently changed its name to Trinsic Communications, Inc. in Docket No. 04-00445.

² The TRA authorized Touch 1 to provide telecommunications services on July 31, 1995 in Case No. 95-02456.

³ Although Trinsic and Touch 1 are seeking any necessary approval for their participation in this financing transaction, they are doing so without prejudice to their right to assert in this or other proceedings that this transaction involving financing transactions for a multi-state company is beyond the jurisdiction of state commissions. *See, for example, State ex rel. Utilities Commission v Southern Bell Tel. & Tel.*, 207 S.E.2d 771, aff'd 217 S.E.2d 543 (N.C. 1975). Further, based on Attorney General Opinion 99-119, issued May 14, 1999, the Petitioners do not believe that the proposed multi-state financing requires TRA approval. However, should the TRA believe that approval is required, it is hereby requested.

"Companies"), consisting of various loans in a total amount up to \$20 million. Specifically, it is anticipated that the loan documentation will provide for a term loan to the Companies in an aggregate amount of \$5,000,000 ("Term Loan") and a revolving loan to the Companies in an aggregate amount of \$15,000,000 ("Revolving Loan" and together with the Term Loan, "Loans")

It is anticipated that the Loans will be secured by Petitioners' grant of a security interest in all of their assets (the "Collateral"). Thus, the Petitioners request approval to incur debt in a total principal amount of \$20 million. In support of this Petition, Trinsic and Touch 1 provide the following information:

I. The Companies

Trinsic, a Delaware corporation, is a direct, wholly owned subsidiary of Trinsic, Inc., a publicly held corporation. Touch 1, an Alabama corporation, is also a direct, wholly owned subsidiary of Trinsic, Inc. Touch 1 is located at 100 Brookwood Road, Atmore, Alabama 36504. Trinsic and Parent are located at 601 South Harbour Island Boulevard, Suite 220, Tampa, Florida 33602.

Trinsic provides advanced, integrated telecommunications services targeted to residential and small business customers, including local and long distance telephone services in combination with enhanced communication features. Trinsic offers service on both a retail and wholesale basis. Its principal wholesale customer is Sprint. Touch 1 offers long distance telecommunications services to residential customers nationwide. Trinsic currently is authorized to provide long distance telecommunications services nationwide, and competitive local exchange services in 48 states. The largest concentrations of Trinsic's customers are in New York, Illinois and Michigan. In Tennessee, both Trinsic and Touch 1 are authorized to provide

telecommunications services. Petitioners will continue to operate under their current names and CCNs issued by the TRA and their business licenses as filed with the Tennessee Secretary of State's Office. Trinsic and Touch 1 are also authorized by the Federal Communications Commission to provide both interstate and international telecommunications services.

II. Designated Contacts

The designated contact for questions concerning this Petition is:

Melissa S. Conway, Esq.
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W., Suite 500
Washington, D.C. 20036
(202) 955-9667
(202) 955-9792 fax

Counsel to the Petitioners

Copies of any correspondence should also be sent to the following designated representative of the Companies:

Andrew L. Graham
Corporate Counsel
TRINSIC COMMUNICATIONS, INC.
601 South Harbour Blvd.
Suite 220
Tampa, FL 33602
Tel: (813) 233-4567
Fax: (813) 233-4623

III. Description of The Transaction

By this Petition, Trinsic and Touch 1 seek approval, should it be necessary, to incur indebtedness by granting a security interest in the Collateral in connection with financing of an

amount up to \$20 million⁴ Specifically, it is anticipated that the loan documentation will provide for a term loan to the Companies in an aggregate amount of \$5,000,000 (“Term Loan”) and a revolving loan to the Companies in an aggregate amount of \$15,000,000 (“Revolving Loan” and together with the Term Loan, “Loans”). The Term Loan will be convertible into shares of the Parent’s common stock. The first \$8,000,000 of the Revolving Loan will be convertible into shares of the Parent’s common stock and the next \$7,000,000 will not be convertible.

It is expected that the loan documentation will also provide for the sale by the Parent to the lender on the Closing Date of a certain amount of the Parent’s common stock (the “Closing Shares”) and a common stock purchase warrant to purchase a certain number of the Parent’s common stock (the “Warrant”). However, the sale of the Closing Shares and the Warrant will not constitute or result in a transfer of control that requires approval from or notice to the TRA, as the lender will not beneficially own more than 4.99% of the outstanding common stock of the Parent at any time. In addition, it is anticipated that the loan documentation will provide that following the occurrence and during the continuance of an Event of Default, the lender may elect to convert the Loans to an accounts receivable purchase facility (“Receivables Purchase”). The Petitioners understand that further regulatory approvals may be required upon an Event of Default.

⁴ Petitioners have filed similar petitions in Delaware, Georgia, Hawaii, New Jersey, New York and Pennsylvania. These petitions are pending. Petitioners are filing notifications in Indiana, Kentucky, Maine, Nebraska, New Hampshire, North Carolina and Vermont. This type of multi-state financing transaction does not require notice, review or approval from any federal agency.

The exact terms of the financing may not be finalized until shortly before the Loans are to be made to reflect conditions of the credit markets at that time, but Petitioners believe that the terms of such Loans will be consistent with those set forth below.

Lender: The lender is expected to be Laurus Master Fund, Ltd. or other banks, financial institutions or public or private funds.

Amount: Up to \$20 million (Term Loan: \$5,000,000; Revolving Loan: \$15,000,000).

Maturity: The Term Loan Term is expected to be four (4) years from the Closing Date; the Revolving Loan term is expected to be three (3) years from the Closing Date ("Initial Revolver Term"). The lender will have the option of extending the Initial Revolver Term for a period of two (2) years.

Interest: Interest likely will be based on the Prime Rate or LIBOR plus an applicable margin reflecting the Companies' financial condition and market credit conditions. Current negotiations contemplate an interest rate of WSJ Prime plus 1% for the Term Loan; WSJ Prime plus 1% for the convertible tranche of the Revolving Loan; and WSJ Prime for the non-convertible tranche of the Revolving Loan. Each subject to a 6% floor.

Security: Trinsic and Touch 1 likely will be required to grant a security interest in all of their assets (the "Collateral"). The Collateral includes, but is not limited to, real estate, stock, equipment, general intangibles, accounts receivable, investment property, capital stock, cash and intellectual property.

Use of Proceeds: It is intended that the net proceeds of the financing will be used for general working capital purposes.

IV. Public Interest Analysis

Approving this Petition will serve the public interest by enhancing the ability of Trinsic to grow and compete in the highly competitive markets for telecommunications services in Tennessee and nationwide. Approval of the financing transaction described herein is not expected to directly affect in any way the rates or services of the Petitioners, or result in any change in actual control of Parent or the Petitioners. The financing will provide Trinsic with the financial resources needed to continue to produce new products and services and respond to the

highly competitive telecommunications environment. Indeed, Trinsic has launched several VOIP-based products and access to new financing will assist in this innovation and business expansion.

Trinsic competes in Tennessee and other markets with numerous other interexchange carriers and enhanced service providers as well as the incumbent local exchange carrier and other competitive local exchange carriers. Because Trinsic is a non-dominant carrier, it is not subject to rate of return regulation and its capital structure and indebtedness should not be a matter of concern to the TRA. In addition, because of the highly competitive environment in which it operates, the rates charged customers are subject to market discipline and the services offered generally are available from other carriers. As a result, the source of funds and capital structure of Trinsic would have little effect on customers in Tennessee or elsewhere. In the unlikely event that Trinsic's capital structure becomes too costly and rates rise, customers may simply migrate to other carriers with preferred rates. Thus, any adverse consequences from the Parent's financing decisions impact on shareholders, not on customers, and any favorable consequences benefit both shareholders and consumers through higher profits, lower rates and better services.

Moreover, because the public interest is best served by assuring the presence of numerous telecommunications competitors in Tennessee, it is important to provide such competitors with the flexibility to arrange their financing in the manner they deem most appropriate to carry on their business so long as there is no significant adverse impact on the public. In addition, Trinsic notes that its Parent, as a publicly held corporation, is subject to the jurisdiction of the Securities and Exchange Commission which also serves to protect the interests of investors and consumers in Tennessee.

WHEREFORE, Trinsic and Touch 1 respectfully request that the TRA approve, to the extent necessary, their participation in the financing transaction described herein, and for such other and further relief as the TRA may deem appropriate.

Respectfully submitted,

**TRINSIC COMMUNICATIONS, INC. AND TOUCH 1
COMMUNICATIONS, INC.**

By: Melissa Conway
Jonathan E. Canis
Melissa S. Conway
KELLEY DRYE & WARREN LLP
1200 19th Street, N.W., Suite 500
Washington, D.C. 20036
(202) 955-9600

Their Counsel

Date: November 11, 2005

VERIFICATION

I, Andrew L. Graham, am authorized to represent Trinsic, Inc. and its subsidiaries and to make this verification on their behalf. Except as otherwise specifically attributed, the statements in the foregoing document relating to these companies are true of my own knowledge, other than as to matters that are stated therein on information or belief, and as to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.



Andrew L. Graham
Secretary
Trinsic, Inc.

Subscribed and sworn to before me this 10th day of November 2005.


Notary Public

My Commission expires: 4/10/08

