

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

May 22, 2007

IN RE:

APPLICATION OF MATRIX TELECOM, INC. FOR
CERTIFICATE TO PROVIDE COMPETING
LOCAL TELECOMMUNICATIONS SERVICES

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DOCKET NO.
07-00003

INITIAL ORDER GRANTING CERTIFICATE OF
PUBLIC CONVENIENCE AND NECESSITY

This matter came before the Hearing Officer of the Tennessee Regulatory Authority (the “Authority” or “TRA”) at a Hearing held on April 25, 2007, to consider the *Application for Certificate to Provide Competing Local Telecommunications Services* (the “*Application*”) filed by Matrix Telecom, Inc. d/b/a Matrix Business Technologies (“Matrix”) on January 2, 2007, and amended on February 26, 2007 and supplemented on March 8, 2007. In its *Application*, Matrix seeks a certificate of public convenience and necessity for authority to provide competing local telecommunications services, including facilities-based and resold local exchange, exchange access and interexchange telecommunications services within the State of Tennessee.

Legal Standard for Granting Certificate of Public Convenience and Necessity

Matrix’s *Application* was made pursuant to, and was considered in light of, the criteria for granting a certificate of public convenience and necessity (“CCN”) as set forth in Tenn. Code Ann. § 65-4-201 (Supp. 2006), which provides, in pertinent part:

- (a) No public utility shall establish or begin the construction of, or operate any line, plant, or system, or route in or into a municipality or other territory

already receiving a like service from another public utility, or establish service therein, without first having obtained from the authority, after written application and hearing, a certificate that the present or future public convenience and necessity require or will require such construction, establishment, and operation, and no person or corporation not at the time a public utility shall commence the construction of any plant, line, system or route to be operated as a public utility, or the operation of which would constitute the same, or the owner or operator thereof, a public utility as defined by law, without having first obtained, in like manner, a similar certificate . . .

* * *

(c) After notice to the incumbent local exchange telephone company and other interested parties and following a hearing, the authority shall grant a certificate of convenience and necessity to a competing telecommunications service provider if after examining the evidence presented, the authority finds:

(1) The applicant has demonstrated that it will adhere to all applicable commission policies, rules and orders; and

(2) The applicant possesses sufficient managerial, financial, and technical abilities to provide the applied for services.

* * *

Furthermore, pursuant to Tenn. Code Ann. § 65-5-112 (2004), a competing telecommunications provider is required to file with the Authority (1) a plan containing the provider's plan for purchasing goods and services from small and minority-owned telecommunications businesses; and (2) information on programs that might provide technical assistance to such businesses.

The April 25, 2007 Hearing

Pursuant to Tenn. Code Ann. § 65-4-204 (2004), public notice of the Hearing in this matter was issued by the Hearing Officer on April 10, 2007. No persons sought intervention prior to or during the Hearing.

At the Hearing held on April 25, 2007, Ms. Dana Hoyle, Manager of Regulatory Affairs of Matrix, participated telephonically in the Hearing pursuant to Tenn. Code Ann. § 4-5-312(c) (Supp. 2004),¹ and was subject to examination by the Hearing Officer. Ms. Hoyle adopted the pre-filed testimony of Mr. Russell Lambert, President and Chief Executive Officer of Matrix, clarified certain inconsistencies in the *Application*, described Matrix's current process for verifying a subscriber's intent prior to switching service providers, and stated that Matrix will comply with all of Tennessee's public interest services and obligations as mandated in TRA Rule 1220-4-8-.04(3). Ms. Hoyle also stated that Matrix will retain its existing authorizations to permit it flexibility to explore various business opportunities. Upon Matrix's conclusion of the presentation of its proof, the Hearing Officer granted Matrix's *Application* based upon the following findings of fact and conclusions of law:

I. Matrix Telecom, Inc. d/b/a Matrix Business Technologies' Qualifications

1. Matrix, a corporation organized under the laws of the State of Texas on June 13, 1990, is a wholly-owned subsidiary of EnergyTRACS Acquisition Corporation which is in turn a wholly-owned subsidiary of Platinum Equity, LLC, a Delaware company. Matrix was licensed to transact business in Tennessee by the Secretary of State on February 18, 1992 and registered the assumed name of Matrix Business Technologies with the Secretary of State on June 8, 2006. Matrix was granted authorization to resell interexchange telecommunications by the Tennessee

¹ On April 12, 2007, Matrix filed a request to participate in the Hearing by telephone, which was subsequently granted by the Hearing Officer on April 13, 2007. Tenn Code Ann § 4-5-312(c) (Supp. 2004) addresses electronic participation at a hearing as follows

(c) In the discretion of the administrative judge or hearing officer and agency members and by agreement of the parties, all or part of the hearing may be conducted by telephone, television or other electronic means, if each participant in the hearing has an opportunity to participate in, to hear, and, if technically feasible, to see the entire proceedings while taking place.

Public Service Commission in Docket No. 95-03215 on October 13, 1995 and granted a local resale certificate by Authority Order in Docket No. 05-00083 on June 30, 2005.

2. The complete street address of the registered agent for Matrix, C T Corporation System, is 800 South Gay Street, Suite 2021, Knoxville, Tennessee, 37929. The complete street address of the corporate office of Matrix is 7171 Forest Lane, Suite 700, Dallas, Texas 75230. The telephone number is (214) 432-1453.

3. The *Application* and supporting documentary information existing in the record indicate that Matrix has the requisite technical and managerial ability to provide competitive access services and transport telecommunications services within the State of Tennessee. Specifically, Matrix's senior management team possesses extensive business, technical, operational and regulatory telecommunications experience.

4. Matrix has the necessary capital and financial ability to provide the services it proposes to offer.

5. Matrix has represented that it will adhere to all applicable statutes, policies, rules and orders of the Authority.

II. Proposed Services

Matrix intends to initially meet customer needs through the use of leased unbundled network elements from incumbent local exchange carriers ("ILECs") or commercial wholesale agreements, or any combination thereof, in addition to resale. Matrix intends to deploy and maintain company-owned facilities only after customer saturation can support such deployment. Matrix also seeks to acquire the customer bases and assets of ailing telecommunications companies and explore its organic sales options, in addition to continuing to serve its core

customers, which have been small to medium sized businesses. Matrix provided the Authority with a Notice of Amended Filing to all eighteen ILECs in Tennessee.

III. Permitting Competition to Serve the Public Convenience and Necessity

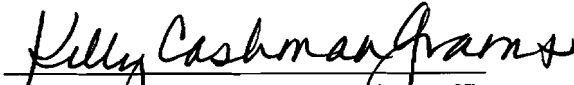
Upon a review of the *Application* and the record in this matter, the Hearing Officer finds that approval of Matrix's *Application* would inure to the benefit of the present and future public convenience by permitting competition in the telecommunications services markets in the State and fostering the development of an efficient, technologically advanced statewide system of telecommunications services.

IV. Small and Minority-Owned Telecommunications Business Participation Plan and Business Assistance Program

Matrix has filed a satisfactory small and minority-owned telecommunications business participation plan, pursuant to Tenn. Code Ann. § 65-5-112 (2004) and the Authority's Rules.

IT IS THEREFORE ORDERED THAT:

1. The *Application for Certificate to Provide Competing Local Telecommunications Services* filed by Matrix Telecom, Inc. d/b/a Matrix Business Technologies is approved;
2. Any party aggrieved by the Hearing Officer's decision in this matter may file a petition for reconsideration within fifteen (15) days from and after the date of this Order; and
3. Following the expiration of the fifteen (15) day appeal period, and if no petition for reconsideration or appeal of this Order is filed prior thereto, this Interim Order shall become a Final Order of the Tennessee Regulatory Authority.


Kelly Cashman-Grams, Hearing Officer