

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**NASHVILLE, TENNESSEE**

**December 6, 2007**

**IN RE:**

**JOINT PETITION OF MATRIX TELECOM, INC.,  
AMERICATEL CORPORATION, AND STARTEC GLOBAL  
OPERATING COMPANY FOR APPROVAL OF CERTAIN  
FINANCING ARRANGEMENTS AND A PRO FORMA  
REORGANIZATION**

**DOCKET NO.  
07-00213**

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**ORDER APPROVING FINANCING ARRANGEMENTS  
AND RELATED TRANSFER OF AUTHORITY**

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This matter came before Director Pat Miller, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 22, 2007 for consideration of the *Petition* requesting approval of certain financing arrangements and a *pro forma* reorganization filed on September 13, 2007 by Matrix Telecom, Inc. (“Matrix”), Americatel Corporation (“Americatel”) and Startec Global Operating Company (“Startec”) (collectively, “Petitioners”).

Matrix is authorized to provide facilities-based and/or resold interexchange and/or competitive local exchange telecommunications services across the nation. In Tennessee, Matrix was granted authorization to provide facilities-based<sup>1</sup> and resold competitive exchange telecommunications services<sup>2</sup> by the Authority, and by the former Tennessee Public Service Commission in Case No. 95-03215.

Americatel provides international and domestic facilities-based and resold long distance services, including “dial around” casual calling (i.e., 1010XXX) service and prescribed 1+calling

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<sup>1</sup> See *In re: Application of Matrix telecom, Inc. for Certificate to Provide Competing Local Telecommunications Services*, Docket No. 07-00003, *Initial Order Granting Certificate of Public Convenience and Necessity* (May 22, 2007).

<sup>2</sup> See *In re: Application of Matrix Telecom, Inc. for Authority to Provide Resell Telecommunications Services in Tennessee*, Docket No. 05-00083, *Order Granting Authority To Resell Local Telecommunication Services In Tennessee* (June 30, 2005).

services, in each of the forty-eight contiguous states. In Tennessee, Americatel is authorized to provide resell telecommunications services pursuant to Authority Order issued in Docket No. 98-00065 on February 2, 1999.

Startec provides long distance, Internet, and other communications services to individuals and businesses residing in all forty-nine states and the District of Columbia ( except Alaska), and Canada as well. In Tennessee, Startec is authorized to provide resold telecommunications services.<sup>3</sup>

Platinum Equity, LLC (“Platinum Equity”) has indirectly held 100% of the equity of Matrix since 1999 and 95% of the equity of Americatel since July 2006. Platinum Equity acquired control of Startec on July 12, 2007, when it acquired 100% ownership of Startec’s equity. Platinum Equity holds this interest through two wholly owned holding subsidiaries, EnergyTRACS and its subsidiary, Startec Global Communications Corporation (“SGCC”).

### **The Petition**

The Petitioners request the Authority’s approval to enter into certain debt financing arrangements, pursuant to loan documents dated September 6, 2007 and a *pro forma* transfer of control as part of a minor internal corporate re-organization. According to the *Petition*, the Petitioners will refinance a certain existing credit agreement with an amended and restated credit agreement anticipated by the loan documents (“A&R Credit Agreement”) payable at a time more than twelve months after the date thereof. Collectively, the total loans under the A&R Credit Agreement will equal the Petitioners’ existing credit facilities, and all the Petitioners will become jointly and severally liable co-borrowers under the amended and restated arrangement.

Matrix and Americatel, on one hand, and Startec, on the other, are currently parties to a separate credit agreement with the same lender. Under the Matrix and Americatel credit agreement, Matrix and Americatel are jointly and severally co-borrowers for debt obligations of up to \$90,000,000, consisting of a \$40,000,000 term loan and a \$50,000,000 revolving credit facility. Matrix and Americatel have pledged

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<sup>3</sup> See *In re: Application of Startec Global Operating Company for a Certificate to Resell Telecommunications Services in Tennessee*, Docket No.07-00104, *Order Granting Petition* (July 10, 2007).

all of their assets, other than certain operating authorities, as collateral for this indebtedness and have pledged their stock as further collateral.

Under the Startec credit agreement, Startec is a jointly and severally liable co-borrower with its immediate parent, SGCC, and its affiliate, Canada Holdco for debt obligations of up to \$43,000,000 consisting of a \$40,000,000 term loan and a \$3,000,000 delayed term loan. This debt is guaranteed by Startec's ultimate parent, Platinum Equity. This credit agreement is limited to a maximum term of 270 days from July 12, 2007, and will mature on April 8, 2008.

The Petitioners seek approval of up to \$120 million in financing, consisting of a \$71,500,000 term loan and up to \$48,500,000 in a revolving credit facility. The interest rate for the financing will be in line with market conditions, and the terms of the arrangements are comparable to those offered for similarly-situated borrowers. The term of the financing is five years. Startec's obligations under its credit agreement will be refinanced with the new loans obtained under the amended credit facility. In a Data Response filed with the Authority on September 28, 2007, the Petitioners stated that they will pledge all of their assets, including their stock, as collateral for the debt incurred in the proposed transaction. The September 28, 2007 Data Response also notes that the instant petition is an amendment and restatement of the financing arrangement approved in Docket No. 06-00240.

The *Petition* states that in preparation for the implementation of the loan documents, SGCC will become a direct subsidiary of Americatel, and SGCC's current subsidiaries, including Startec, will become indirect subsidiaries of Americatel. This minor corporate re-organization, which is required by the loan documents, will minimize the effect of the debt on other unregulated subsidiaries of EnergyTRACS. Ultimate control of Startec and the other Petitioners will not change after the transaction; it will remain with Platinum Equity, making this change a *pro forma* reorganization.

According to the Petitioners, the proposed financing arrangements will not affect Petitioner's ownership, management or day-to-day operations in Tennessee, and there will be no change in the rates, terms, and conditions of service. Matrix, Americatel, and Startec will all continue to provide competitive

resold telecommunications services in Tennessee, making the proposed financing arrangements and reorganization transparent to their customers. The Petitioners also assert that the proposed transfer will serve the public interest by allowing better use of available funds, introduction of new services to customers and expansion into new markets.

### **Findings and Conclusions**

The Petitioners' request for approval to participate in a financing transaction is governed by Tenn. Code Ann. § 65-4-109 (2004) which provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the authority for such proposed issue. It shall be the duty of the authority after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the authority.

Regarding the *pro forma* transfer of authority of Startec to Americatel as part of a minor corporate re-organization, the Petitioners request approval pursuant to Tenn. Code Ann. § 65-4-113 (2004). The Authority finds that the proposed transaction should be considered pursuant to Tenn. Code Ann. § 65-4-112 (2004) because control of Startec, a Tennessee-certificated entity is being transferred to Americatel, another Tennessee-certificated entity.

Tenn. Code Ann. § 65-4-112(a) (2004) states:

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 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.

At a regularly scheduled Authority Conference held on October 22, 2007, the panel voted unanimously to approve the *Petition* based on the following findings.

1. The financing transaction is subject to the approval of this Authority pursuant to Tenn. Code Ann. § 65-4-109 (2004).

2. The financing transaction is being made in accordance with laws enforceable by this Agency.

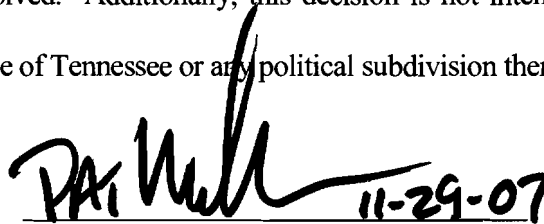
3. The purpose of the transaction is in the public interest because it may enhance the competitive position of Matrix, Americatel and Startec by allowing greater access to financial resources.<sup>4</sup>

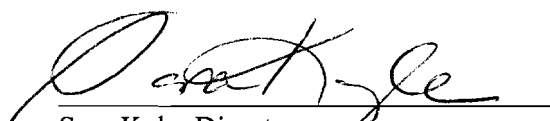
**IT IS THEREFORE ORDERED THAT:**

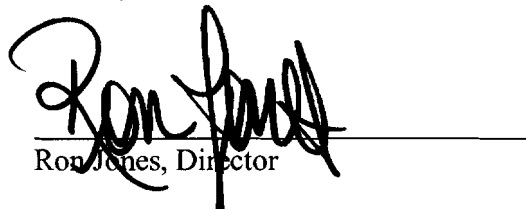
1. Matrix Telecom, Inc., Americatel Corporation and Startec Global Operating Company are authorized to participate in the transaction financing up to \$120,000,000 as described in the *Petition* and discussed herein.

2. The transfer of authority of Startec Global Operating Company to Americatel Corporation as described in the *Petition* and discussed herein is approved.

3. The Authority's approval of this transaction should not be used for the purpose of inferring an analysis or assessment of the risks involved. Additionally, this decision is not intended to create any liability on the part of this Agency, the State of Tennessee or any political subdivision thereof.

  
Pat Miller, Director

  
Sara Kyle, Director

  
Ron Jones, Director

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<sup>4</sup> Director Jones made the following additional findings:

- (1) According to the Petitioners, they have filed similar petitions in other states.
- (2) Prior FCC approval of the transfer is not required and federal approval of the debt refinance is not required.
- (3) The proposed financing transaction is expected to affect the Tennessee assets of Tennessee-certificated entities.
- (4) Tennessee has a legitimate interest in monitoring the integrity of the competitive marketplace, which includes obtaining information on the financial transactions and fitness of certificated telecommunications carriers.
- (5) The burden of compliance with Tenn. Code Ann. § 65-4-109 (2004) is minimal, as such, compliance should be perfunctory given the telecommunications industry's movement to a competitive environment.