

ORIGINAL

OPEN MEETING



0000046109

MEMORANDUM
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TO: THE COMMISSION

2006 MAR 17 P 2:10

FROM: Ernest G. Johnson
Director
Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: March 17, 2006

RE: IN THE MATTER OF THE APPLICATION OF MATRIX TELECOM, INC. FOR
APPROVAL TO TRANSFER MEMBERSHIP INTERESTS (DOCKET NO.
T-03228A-05-0672)

On September 14, 2005, Matrix Telecom, Inc. ("Matrix") filed a Notification of the transfer of all of the membership interests of Claricom Networks, LLC (Claricom"), held by Stacom Holdings, LLC, to Matrix, and the merger of Claricom with and into Matrix.

The following information which describes the parties, the transaction, provides public interest justification and the customer notice was provided by the applicants in the filing and in response to Staff inquiries.

I. PARTIES.

Claricom is a limited liability company organized under the laws of the State of Delaware with its principal offices located at 300 North Meridian, Oklahoma City, Oklahoma 73107. Claricom is certificated as an interexchange reseller in Arizona.

Stacom is a Delaware limited liability company with its principal offices located at 360 North Crescent Drive, South Building, Beverly Hills, California 90210. Stacom is a holding company and holds 100 percent of the membership interests 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 located at 300 North Meridian, Oklahoma City, Oklahoma 73107. Matrix is authorized to provide intrastate inter-exchange telecommunications services and local telecommunications services in Arizona. Matrix also provides interstate and international telecommunications services pursuant to the authorities granted to it by the Federal Communications Commission.

ETAC is a corporation organized under the laws of the State of Delaware with its principal offices located at 360 North Crescent Drive, South Building, Beverly Hills, California 90210. ETAC is a holding company and holds all of the issued 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. The Platinum portfolio is comprised of 21 businesses, with over 40,000 employees.

By this filing, Applicants seek to notify the Commission of the proposed transfer of all the membership interests of Claricom, currently held by Stacom, to Matrix and of the merger of Claricom with and into Matrix with Matrix being the surviving entity. According to their recently filed annual reports, both Matrix and Claricom are providing service to business but not residential customers.

II. DESCRIPTION OF THE TRANSACTION

The Applicants represented the following with respect to the transaction. Matrix was acquired by Platinum in 1999. Claricom was acquired by Platinum in 2001. Since their acquisitions, Matrix and Claricom have operated as separate entities but under common management. As Matrix and Claricom provide the same services to the same markets, it has been determined that their customers can be served more efficiently by combining Matrix and Claricom into one company. To that end, Applicants hereby notify the Commission of the transfer of the membership interests of Claricom, currently held by Stacom, initially to Platinum, who 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.

III. PUBLIC INTEREST

The Applicants maintain that the proposed transaction will serve the public interest, for the following reasons. There will be no change to the rates, terms or conditions of service to the Claricom customers as a result of the transaction. In a separate filing, the rates terms and conditions contained in Claricom's tariff were incorporated into Matrix' tariff. 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 provide the managerial and technical support for Claricom today. Further, consummation of the proposed transaction will serve the public interest in promoting competition in the intrastate inter-exchange and local telecommunications market by providing Matrix the opportunity to strengthen its competitive position by combining Claricom's customer base with Matrix's current customers. Consummation of the transaction will permit Matrix to realize economic and marketing efficiencies which will enhance its ability to compete more effectively in the telecommunications market. The proposed transaction will be seamless and virtually transparent to said subscribers.

IV. CUSTOMER NOTIFICATION

Applicants provided advance subscriber notice of the transfer to Matrix on November 18, 2005.

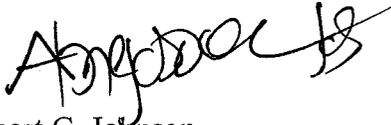
THE COMMISSION

March 17, 2006

Page 3

IV. STAFF RECOMMENDATION

Staff has reviewed the notice and has concluded that it meets the Commission's notice requirements. Staff recommends approval of the merger of Claricom with and into Matrix.

for 

Ernest G. Johnson
Director
Utilities Division

EGJ:WMS:lm\MAS

Originator: Wilfred Shand, Jr.

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION)
OF MATRIX TELECOM, INC. FOR)
APPROVAL TO TRANSFER)
MEMBERSHIP INTERESTS)
_____)

DOCKET NO. T-03228A-05-0672
DECISION NO. _____
ORDER

Open Meeting
April 4 and 5, 2006
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On September 14, 2005, Matrix Telecom, Inc. ("Matrix") filed a Notification of the transfer of all of the membership interests of Claricom Networks, LLC ("Claricom"), held by Stacom Holdings, LLC ("Stacom"), to Matrix, and the merger of Claricom with and into Matrix.

I. THE PARTIES

2. The following information which describes the parties was provided by the applicants in the filing.

3. Claricom is a limited liability company organized under the laws of the State of Delaware with its principal offices located at 300 North Meridian, Oklahoma City, Oklahoma 73107. Claricom is certificated as an interexchange reseller in Arizona.

4. Stacom is a Delaware limited liability company with its principal offices located at 360 North Crescent Drive, South Building, Beverly Hills, California 90210. Stacom is a holding

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1 company and holds 100 percent of the membership interests of Claricom. Stacom in turn is a
2 wholly-owned subsidiary of Platinum.

3 5. Matrix is a corporation organized under the laws of the State of Texas with its
4 principal offices located at 300 North Meridian, Oklahoma City, Oklahoma 73107. Matrix is
5 authorized to provide intrastate inter-exchange telecommunications services and local
6 telecommunications services in Arizona. Matrix also provides interstate and international
7 telecommunications services pursuant to the authorities granted to it by the Federal
8 Communications Commission.

9 6. According to their recently filed annual reports both Matrix and Claricom are
10 providing service to business but not residential customers.

11 7. ETAC is a corporation organized under the laws of the State of Delaware with its
12 principal offices located at 360 North Crescent Drive, South Building, Beverly Hills, California
13 90210. ETAC is a holding company and holds all of the issued and outstanding capital stock of
14 Matrix. ETAC in turn is a wholly-owned subsidiary of Platinum.

15 8. Platinum is a Delaware limited liability company formed as a vehicle for the
16 acquisition of companies and is the ultimate parent of Matrix, ETAC, Claricom and Stacom.

17 9. The Platinum portfolio is comprised of 21 businesses, with over 40,000 employees.

18 10. By this filing, Applicants seek to notify the Commission of the proposed transfer of
19 all the membership interests of Claricom, currently held by Stacom, to Matrix and of the merger of
20 Claricom with and into Matrix with Matrix being the surviving entity.

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22 **II. DESCRIPTION OF THE TRANSACTION**

23 11. The Applicants represented the following with respect to the transaction.

24 12. Matrix was acquired by Platinum in 1999. Claricom was acquired by Platinum in
25 2001. Since their acquisitions, Matrix and Claricom have operated as separate entities but under
26 common management. As Matrix and Claricom provide the same services to the same markets, it
27 has been determined that their customers can be served more efficiently by combining Matrix and
28 Claricom into one company. To that end, Applicants hereby notify the Commission of the transfer

1 of the membership interests of Claricom, currently held by Stacom, initially to Platinum, who will
2 then transfer those interests to ETAC. The final transfer of the membership interests of Claricom
3 will be from ETAC to Matrix. Claricom will then be merged with and into Matrix with Matrix
4 being the surviving entity.

6 **III. PUBLIC INTEREST**

7 13. The Applicants maintain that the proposed transaction will serve the public interest
8 for the following reasons. There will be no change to the rates, terms or conditions of service to
9 the Claricom customers as a result of the transaction. In a separate filing; the rates, terms, and
10 conditions contained in Claricom's tariff were incorporated into Matrix's tariff. All managerial
11 and technical aspects of the provision of reliable telecommunication services will be handled in the
12 same manner and by the same individuals who provide the managerial and technical support for
13 Claricom today. Further, consummation of the proposed transaction will serve the public interest
14 in promoting competition in the intrastate inter-exchange and local telecommunications market by
15 providing Matrix the opportunity to strengthen its competitive position by combining Claricom's
16 customer base with Matrix's current customers. Consummation of the transaction will permit
17 Matrix to realize economic and marketing efficiencies which will enhance its ability to compete
18 more effectively in the telecommunications market. The proposed transaction will be seamless
19 and virtually transparent to said subscribers.

21 **IV. CUSTOMER NOTIFICATION**

22 14. Applicants provided advance subscriber notice of the transfer to Matrix on
23 November 18, 2005.

25 **V. STAFF RECOMMENDATION**

26 15. Staff has reviewed the notice and has concluded that it meets the Commission's
27 notice requirements. Staff recommends approval of the merger of Claricom with and into Matrix.

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CONCLUSIONS OF LAW

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1. Matrix is a public service corporation within the meaning of Article IV of the Arizona Constitution.

2. Claricom is a public service corporation within the meaning of Article IV of the Arizona Constitution.

3. The Commission has jurisdiction over Matrix and Claricom and over the subject matter of this application.

4. The Commission having reviewed the filing and Staff's Memorandum dated March 17, 2006 concludes that it is in the public interest to approve the merger of Claricom with and into Matrix.

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ORDER

IT IS THEREFORE ORDERED that the merger of Claricom with and into Matrix be and hereby is approved.

IT IS FURTHER ORDERED that this Decision become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2006.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:WMS:lhM\MAS

1 SERVICE LIST FOR: Matrix Telecom, Inc.
2 DOCKET NO. T-03228A-05-0672

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