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Transcript Exhibit(s)

Docket #(s): T-20423A-05-0677

Arizona Corporation Commission

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Exhibit #: A1-A6, S1

ORIGINAL NEW APPLICATION

VarTec Telecom, Inc.
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2005 SEP 23 A 11: 54

AZ CORP COMMISSION September 22, 2005
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VIA OVERNIGHT DELIVERY

Docket Control Office

Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007-2996

T-20423A-05-0677
T-03401A-05-0677
T-02584A-05-0677
T-03188A-05-0677

Re: Joint Application for Consent to Transfer Assets

Dear Sir or Madam:

Transmitted herewith on behalf of Comtel Telcom Assets LP ("Comtel") and VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc. (together, the "VarTec Companies") (collectively with Comtel, the "Applicants") are an original and thirteen (13) copies of a Joint Application for Consent to Transfer Assets. Through this Application, Comtel seeks the authority to assume substantially all of the assets of the VarTec Companies and also to obtain the necessary certification to provide local exchange, interexchange and wireless telecommunications services within Arizona.

Acknowledgment and date of receipt of this filing are respectfully requested. Please date and file stamp the attached copy of this correspondence and return it in the enclosed pre-addressed, postage-prepaid envelope. Please direct all correspondence regarding this filing to the undersigned directly at (972) 478-3309, the below-referenced address or bgipson@vartec.net. If the Commission has immediate questions or requires additional information, the undersigned is available to promptly supplement this Application. The Applicants sincerely appreciate your time and consideration in reviewing this matter.

Respectfully submitted,

Becky Gipson
Director, Regulatory Affairs

Enclosures

BEFORE THE ARIZONA CORPORATION COMMISSION

In the matter of the Joint Application of)
COMTEL TELCOM ASSETS LP)
and) Docket No. _____
VARTEC TELECOM, INC., EXCEL)
TELECOMMUNICATIONS, INC. AND)
VARTEC SOLUTIONS, INC.)
for Approval of a Transfer of Assets)

JOINT APPLICATION FOR CONSENT TO TRANSFER ASSETS

Pursuant to the rules and regulations of the Arizona Corporation Commission (“Commission”), Comtel Telcom Assets LP (“Comtel”) and VarTec Telecom, Inc. (“VarTec”), Excel Telecommunications, Inc., (“Excel”) and VarTec Solutions, Inc. (“VarTec Solutions”) (together, the “VarTec Companies”) (collectively with Comtel, the “Applicants”) hereby notify and jointly petition the Commission for the approval to complete the acquisition by Comtel of certain assets of the VarTec Companies and to grant all relief requested herein to allow for the consummation of the transaction without undue delay. In support of this Application, the following is stated:

I. The Parties

A. Comtel

Comtel is a limited partnership organized under the laws of the State of Texas. A copy of the Certificate of Filing issued to Comtel by the Office of the Secretary of State in Texas is attached hereto as Exhibit A. The corporate contact information for Comtel is as follows:

c/o Paul Winters
500 Boylston Street, 17th Floor

Boston, Massachusetts 02116
Telephone: (617) 603-3508
Facsimile: (617) 603-3509

Questions concerning Comtel or this filing may be addressed to the following representative:

Jeffrey A. Marks
Jessica W. Hafer
Latham & Watkins LLP
555 Eleventh Street, N.W.
Suite 1000
Washington, D.C. 20004-1304
Telephone: (202) 637-2200
Facsimile: (202) 637-2201
e-mail: jeffrey.marks@lw.com
jessica.hafer@lw.com

Comtel's registered agent within Arizona is as follows: National Corporate Research, Ltd., 815 North First Avenue, Suite #4, Phoenix, Arizona 85003.

A corporate organizational chart for Comtel is attached hereto as Exhibit B, and a list of its officers is attached as Exhibit C. Comtel is a newly formed limited partnership whose principal business will be telecommunications. Its general partner, Comtel Assets Inc. ("Comtel Inc."), is a Texas corporation and owns 1% of the equity of Comtel. Comtel's limited partner, Comtel Assets Corp. ("Comtel Corp."), is a Delaware corporation, which owns 99% of the equity of Comtel.¹ Comtel Inc. and Comtel Corp. are corporate holding companies located

¹ It is anticipated that certain members of Comtel's management team may have the opportunity to obtain non-controlling ownership interests in Comtel, which would reduce the interest held by Comtel Corp.

at c/o 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

Comtel Inc. and Comtel Corp. are both 100% owned by Sowood Commodity Partners Fund III LP (“Sowood Fund III”), an investment company organized in Delaware as a limited partnership. Sowood Commodity Partners GP III LP (“Sowood GP III LP”) is a Delaware limited partnership, and it is the sole general partner of Sowood Fund III with a 0.2% equity interest and operating control. The principal business of Sowood GP III LP is to serve as a corporate holding company, and it is located at 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

The remaining equity of Sowood Fund III is held by Harvard Private Capital Holdings (“HPCH”), a passive, institutional investor. HPCH’s principal business is serving as an investment company. It is owned and controlled by the President and Fellows of Harvard University, a tax-exempt educational and research institution based in Cambridge, Massachusetts.² The address of HPCH is c/o Harvard Management Company, 600 Atlantic Avenue, Boston, Massachusetts 02210.

Four individuals hold limited partnership interests in Sowood GP III LP, and those individuals own 99% of the equity in the limited partnership. The business address for these individuals is as follows: c/o 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

The general partner of Sowood GP III LP, with a 1% interest and operating control, is Sowood GP III LLC, a Delaware limited liability company. The principal business of Sowood GP III LCC is to serve as a management

² Harvard University is an educational and research institution with tax-exempt status pursuant to Section 501(c)(3) of the Internal Revenue Code. According to the Harvard University Annual Financial Report for Fiscal Year 2004, income from the University’s endowment is Harvard’s largest source of operating income. Harvard Management Company (“HMC”) is responsible for investing the assets of the endowment to meet the University’s needs. HMC is a subsidiary of Harvard and is governed by a board of directors appointed by President and Fellows of Harvard University. According to the Annual Report, HMC oversees, among other investments, some 170 different private equity funds, managed by 60 different external management teams.

company. The address of Sowood GP III LLC is as follows: 500 Boylston Street, 17th Floor, Boston, Massachusetts 02116.

The sole managing member of Sowood GP III LLC is Jeff Larson. Sowood GP III LLC also has three non-managing members: Stu Porter, Rick Dowd and Megan Kelleher.

B. The VarTec Companies

VarTec and Excel are corporations organized under the laws of the State of Texas. VarTec Solutions, which formerly operated under the corporate names, eMeritus Communications, Inc., Teleglobe Business Solutions, Inc. and Telco Holdings, Inc. d/b/a Dial & Save, is a Delaware corporation. The principal office of the VarTec Companies is located at the following address:

2440 Marsh Lane
Carrollton, Texas 75006
Telephone: (972) 478-3000
Facsimile: (972) 478-3310

Questions concerning the VarTec Companies or this filing may be addressed to the following representative:

Becky Gipson
Director, Regulatory Affairs
VarTec Telecom, Inc.
2440 Marsh Lane
Telephone: (972) 478-3309
Facsimile: (972) 478-3310
e-mail: bgipson@vartec.net

The VarTec Companies are privately-held corporations. VarTec Telecom Holding Company ("VarTec Holding"), a wholly-owned subsidiary of VarTec, holds 100% of the stock of Excelcom, Inc. ("Excelcom") and Telco Communications Group, Inc. ("Telco"). Excelcom is the direct and sole shareholder of Excel, and Telco is the direct and sole shareholder of VarTec Solutions. VarTec Holding and Excelcom are Delaware corporations, and Telco is organized in Virginia. Each is a holding company located at 2440 Marsh Lane, Carrollton, Texas 75006.

The Commission has authorized VarTec and Excel to provide competitive local exchange and interexchange services in Arizona. Specifically, VarTec was authorized by the Commission to provide competitive intraLATA and interLATA resold telecommunications services in Docket No. T-03401A-97-0382 and was authorized to provide competitive facilities-based and resold local exchange and exchange access telecommunications services in Docket No. T-03401A-01-0674. Excel was granted the authority to provide resold interexchange telecommunications services in Docket No. T-02584A-91-0016, and the Commission granted Excel the authority to provide competitive facilities-based and resold local exchange services in Docket No. T-02584A-02-0268. VarTec Solutions was also authorized by the Commission to provide competitive resold interexchange telecommunications services in Docket No. T-03188A-03-0624 under its former corporate name, eMeritus Communications, Inc.

Furthermore, VarTec and Excel are authorized to provide local exchange, interexchange, operator and wireless services within and throughout the United States, and VarTec Solutions is authorized to provide interexchange services within the contiguous United States. VarTec Solutions holds local exchange authority in a limited number of states, although it has not yet commenced providing local exchange services in any jurisdiction. In addition, the Commission has authorized VarTec to provide interexchange services to Arizona consumers under the trade name, Clear Choice Communications. Both VarTec,

including Clear Choice Communications, and Excel primarily provide telecommunications services to residential customers, while VarTec Solutions serves commercial customers.

The VarTec Companies voluntarily filed for Chapter 11 bankruptcy on November 1, 2004 in the Dallas Division of the United States Bankruptcy Court for the Northern District of Texas (the "Court") consolidated under Case No. 04-81694-HDH-11. As part of the bankruptcy process, the VarTec Companies have entered into the below-described asset purchase agreement ("APA") with Comtel Investments LLC ("Comtel Investments"). Comtel Investments, which is wholly owned by the same parties who own and control Comtel, has assigned its rights and obligations under the APA to Comtel as of August 1, 2005. The APA was executed on July 25, 2005 and was approved by the Court on July 27, 2005.³

11. The Transaction

As noted above, the VarTec Companies are operating under bankruptcy protection. Through the APA and the Court-approved auction process, Comtel will ultimately acquire substantially all of the assets of the VarTec Companies, including all telecommunications equipment, customer accounts and records, business records and licenses and permits. The APA provides that the ultimate transfer of the acquired telecommunications and associated operating assets is subject to the necessary regulatory approvals, including the approval of this Application. In addition, Comtel currently intends to obtain up to approximately \$20 to \$25 million in debt financing pending consummation of the proposed transaction to fund working capital and similar needs of the VarTec Companies. Upon consummation of the proposed transaction, Comtel currently intends to replace such debt financing with a term (3 to 5 year) debt instrument. Based on Comtel's present understanding of the business, it anticipates that the term debt

³ See Case No. 04-81694-HDH-11, Order Granting Motion (A) Approving the Sale Free and Clear of All Liens, Claims, Rights, Interests and Encumbrances to Comtel Investments LLC and (B) Granting Related Relief (Substantially All of the Debtors' Remaining Assets) (entered July 29, 2005), available at http://docs.lmccom.net/Vartec/docs/txn13-04-bk-81694_1663.pdf.

will be approximately \$50 million. This financing will assist with the day-to-day operations of Comtel as Comtel consummates its acquisition of the former VarTec Companies' operations, newly emerged from bankruptcy.

Once the proposed transaction is completed, the VarTec Companies will no longer hold authorizations to provide telecommunications services as described in Section I (B) above. These authorizations will be held by or assigned collectively to Comtel in order that Comtel can step into the shoes of the VarTec Companies, and the residential and commercial customers previously served by the VarTec Companies will continue to receive services without interruption. According to Comtel's initial plans for the business, the services provided and geographic areas served by Comtel will mirror those currently provided by the VarTec Companies, and any enhancements to the service offerings will be within the existing authority transferred to Comtel from the VarTec Companies. In order to minimize confusion and concern for customers, Comtel aims to make this transition seamless by operating under trade names and limiting all direct impacts to existing customers (e.g., no service changes are contemplated as part of this Application).

The interconnection and other network agreements currently allowing the VarTec Companies to provide local exchange and/or interexchange services will be transferred to Comtel, as necessary, to continue the Applicants' efforts to make a smooth transition for customers. Comtel also initially plans to maintain the VarTec Companies' existing tariffs on file with the Commission. Once the transaction is prepared for closing and the Commission has granted its approval, Comtel will simply modify the corporate name on the tariffs. This further supports Comtel's desire to transition the VarTec Companies' assets without interruption or burden on the existing customer base.

III. Request for Approval to Transfer Assets; Qualifications of Comtel

Through this Application, Comtel requests that the Commission approve the transfer of assets as described in Section II above and simultaneously grant Comtel

specific authority to operate as a provider of competitive resold interexchange and competitive facilities-based and resold local exchange and exchange access telecommunications services within Arizona. Specifically, Comtel requests that the Commission-issued Certificates of Public Convenience and Necessity detailed in Section I(B) be transferred from the VarTec Companies to Comtel. Alternatively, in the event that the Commission requires new certifications for Comtel, Comtel requests that those be issued. In support of this request, Comtel has provided information, within this Application and its Exhibits, typically required of new applicants seeking authorization to provide telecommunications services.

In addition, Comtel requests the authority to provide any and all of these services (i.e., competitive resold interexchange and competitive facilities-based and resold local exchange and exchange access telecommunications services and to the extent necessary, commercial mobile services) under the trade names VarTec Telecom, Clear Choice Communications, Excel Telecommunications and VarTec Solutions, in addition to the Comtel name. This will maximize Comtel's available options under which it may begin its operations in the state. Attached hereto as Exhibit D please find a copy of Comtel's authorization to conduct business in Arizona as issued by the Secretary of State.

Following the consummation of the asset transfer, Comtel will be led by a combination of its own management members and certain members of the existing management team of the VarTec Companies, who the Applicants currently expect will continue in management roles for Comtel after consummation of the transaction. Descriptions of the backgrounds of the key management members, which demonstrate extensive experience and expertise, are attached hereto and incorporated herein by reference as Exhibit E. In the event that these Company representatives change, Comtel will pursue other highly experienced executives to assume their roles to ensure that its management team is balanced and technically qualified.

Due to the nationwide nature of the VarTec Companies' current operations, Comtel is engaged in state regulatory processes across the country in connection with the

proposed transaction. The Federal Communications Commission has issued its approval for this transaction.

IV. Public Interest Considerations

Grant of this Application would serve the public interest, convenience and necessity by enabling the seamless continuation of telecommunications services to the VarTec Companies' existing Arizona customers. By allowing Comtel to assume control of the VarTec Companies' assets and to obtain the necessary authorizations to provide telecommunications services in Arizona, existing customers will have access to the services they enjoy today as well as the potential for expanded service offerings going forward. Due to financial restrictions, the VarTec Companies have performed extremely limited marketing, product research and other customer retention and acquisition efforts during 2004 and 2005. Such restrictions have minimized the competitive offerings introduced to the public and limited the VarTec Companies ability to invest in additional consumer service offerings. Consummation of the transaction will greatly increase the financial viability of the VarTec Companies' products and services.

Moreover, approval of the proposed transaction can be expected to serve the public interest by stimulating increased competition in the telecommunications market. As a new entrant into these markets, Comtel intends to compete efficiently and effectively using the well-established resources obtained through the APA. More effective competition has the net economic impact of lower consumer prices, combined with the introduction and availability of more consumer products and services.

IV. Request for Waiver of Slamming Rules

In further support of serving the public interest in association with this Application, the Applicants intend to provide any required customer notice of the transfer of assets to Comtel within the appropriate notice period. Such notice would take into account all relevant state and federal notification and consent requirements applicable to

this transaction.

Additionally, out of an abundance of caution and to the extent necessary, the Applicants hereby request a waiver from any applicable anti-slamming regulations that may nevertheless be considered to have been violated by this transfer of assets being made without the specific authorization and verification of each affected customer. It would be impractical and burdensome to obtain the specific authorization of each customer to effect the proposed transaction. Such a process would significantly hinder the smooth transition of services. Because affected customers would not experience any change in the quality and scope of their services, and because of the Applicants' extreme efforts to make invoicing procedures, customer service and all other matters involving customers absolutely seamless, the notice correspondence will be sufficient to serve the public interest. The notice correspondence will describe the transaction in terms that are easy to understand and ensures that customers are made aware of all their service options going forward, along with other content as may be required. Accordingly, to the extent that the Commission deems necessary, the public interest would be served by the grant of a waiver of anti-slamming regulations applicable to this transaction. The Applicants request such relief from the Commission as may be warranted.

IV. Conclusion

The Applicants submit that the information provided herein demonstrates that the public interest, convenience and necessity would be served by the grant of this Application. Therefore, the Applicants respectfully request that the Commission approve the Joint Application and grant all other relief as necessary and appropriate to authorize the completion of the sale of assets from the VarTec Companies to Comtel.

Respectfully submitted,

COMTEL TELCOM ASSETS LP

By: *Lee Ann Wilson*

Lee Ann Wilson
Assistant Secretary
Comtel Telcom Assets LP
c/o Sowood Capital Management LP
500 Boylston Street, 17th Floor
Boston, Massachusetts 02116
Telephone: (617) 603-3504
Facsimile: (617) 603-3330
e-mail: leeann.wilson@sowood.com

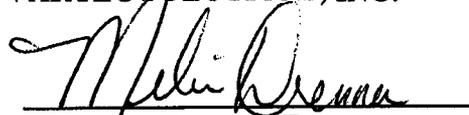
9/22/05

Date

Respectfully submitted,

**VARTEC TELECOM, INC.,
EXCEL TELECOMMUNICATIONS, INC.
AND VARTEC SOLUTIONS, INC.**

By:



Melissa A. Drennan, Esq.

Assistant Secretary

VarTec Telecom, Inc.,

Excel Telecommunications, Inc. and

VarTec Solutions, Inc.

2440 Marsh Lane

Carrollton, Texas 75006

Telephone: (972) 478-3305

Facsimile: (972) 478-3310

e-mail: mdrennan@vartec.net

Date

7/22/05

VERIFICATION OF COMTEL TELCOM ASSETS LP

On behalf of Comtel Telcom Assets LP, I verify that the information contained in the foregoing Application are true to the best of my knowledge, except as to matters which are stated herein 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.

COMTEL TELCOM ASSETS LP

By: _____

Lee Ann Wilson
Lee Ann Wilson
Assistant Secretary
Comtel Telcom Assets LP
c/o Sowood Capital Management LP
500 Boylston Street, 17th Floor
Boston, Massachusetts 021 16
Telephone: (617) 603-3504
Facsimile: (617) 603-3330
e-mail: leeann.wilson@sowood.com

9/22/05
Date

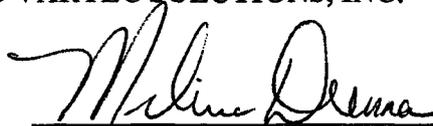
**VERIFICATION OF VARTEC TELECOM, INC., EXCEL TELECOMMUNICATIONS,
INC. AND VARTEC SOLUTIONS, INC.**

On behalf of VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc., I verify that the information contained in the foregoing Application are true to the best of my knowledge, except as to matters which are stated herein 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.

**VARTEC TELECOM, INC.,
EXCEL TELECOMMUNICATIONS, INC.
AND VARTEC SOLUTIONS, INC.**

By:



Melissa A. Drennan, Esq.
Assistant Secretary
VarTec Telecom, Inc.,
Excel Telecommunications, Inc. and
VarTec Solutions, Inc.
2440 Marsh Lane
Carrollton, Texas 75006
Telephone: (972) 478-3305
Facsimile: (972) 478-3310
e-mail: mdrennan@vartec.net

Date



EXHIBIT A

COMTEL TELCOM ASSETS LP

CERTIFICATE OF FILING

Corporations Section
P.O.Box 13697
Austin, Texas 78711-3697



Roger Williams
Secretary of State

Office of the Secretary of State

**CERTIFICATE OF FILING
OF**

Comtel Telecom Assets LP
Filing Number: 800523585

The undersigned, as Secretary of State of Texas, hereby certifies that a certificate of limited partnership for the above named limited partnership has been received in this office and filed as provided by law on the date shown below.

Accordingly, the undersigned as Secretary of State hereby issues this certificate evidencing the filing in this office.

Dated: 07/26/2005

Effective: 07/26/2005



A handwritten signature in black ink that reads "Roger Williams".

Roger Williams
Secretary of State

Phone: (512) 463-5555
Prepared by: Virginia Tobias

Come visit us on the internet at <http://www.sos.state.txus/>
Fax: (512) 463-5709

TTY: 7-1-1
Document: 98724040002

FROM

(TUE) 7. 26 ' 05 14:05/ST. 14:04/NO. 4864937803 P. 3

In the Office of the
Secretary of State of Texas

JUL 26 2005

Corporations Section

CERTIFICATE OF LIMITED PARTNERSHIP

OF

COMTEL TELCOM ASSETS LP

1. Name of Partnership: Comtel Telecom Assets LP
2. Name and Address of Registered Agent and Office: National Corporate Research, Ltd.
800 Brazos, Suite 1100
Austin, Texas 78701
3. Address of Principal Office: 600 Travis, Suite 2775
Houston, Texas 77002
4. General Partner:
Name: Comtel Assets Inc.
Mailing Address: 600 Travis, Suite 2775
Houston, Texas 77002

EXECUTED on the 26th day of July, 2005.

GENERAL PARTNER:

COMTEL ASSETS INC.

By: Megan Keele
Name: MEGAN KEELE
Title: SECRETARY

HOUSTON 83255v1

EXHIBIT B

COMTEL TELCOM ASSETS LP

CORPORATE ORGANIZATIONAL CHART

EXHIBIT C

COMTEL TELCOM ASSETS LP

LIST OF OFFICERS

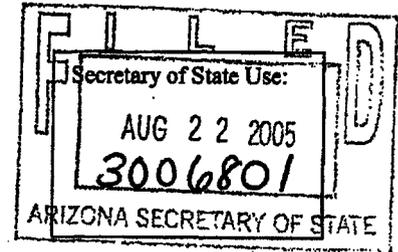
**COMTEL TELCOM ASSETS LP
OFFICER LIST**

Chairman	Stu Porter 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
President	Bill Zartler 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Vice President	Rick Dowd 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Vice President	John Collins 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Secretary	Megan Kelleher 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Assistant Secretary	Paul Winters 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116
Assistant Secretary	Lee Ann Wilson 500 Boylston Street, 17 th Floor Boston, Massachusetts 02116

EXHIBIT D

**COMTEL TELCOM ASSETS LP
CERTIFICATE OF REGISTRATION**

Jan Brewer
Secretary of State
Limited Partnerships
1700 West Washington 7th Fl
Phoenix, Arizona 85007



Make Check Payable to:
Secretary of State

Fee: \$10.00
Plus \$10.00 Authority to Transact Business
Plus \$3.00 per page

SUBMIT IN DUPLICATE with self-addressed stamped envelope.

All correspondence regarding this filing will be sent to the principal office identified below.

APPLICATION FOR REGISTRATION AS A FOREIGN LIMITED PARTNERSHIP
A.R.S. §29-349

The name of the Foreign Limited Partnership (end the name with the words "Limited Partnership" or "L.P.")

Comtel Telecom Assets LP

and, if different, the name which it proposes to register and transact business in **Arizona**

The state and date of formation Authorizing Agency (optional) Registration Number (optional)
Texas 7126105

The applicant authorizes the **Arizona** Secretary of State to be agent for service of process in the event that the above named designated agent for service of process resigns and a new agent for service of process has not been filed with the Secretary of State, or if the above named agent for service of process cannot be found or served with reasonable diligence.

National Corporate Research, Ltd.

Name of agent for service of process Phone Number
815 North First Avenue, Suite #4 Phoenix AZ 85003
Arizona address of agent (PO Box or C/O are unacceptable) City Arizona Zip

The address of the office to be maintained in the **state** of organization:

600 Travis, Suite 2775 Houston TX 77002
Address City State Zip

The Arizona address of the office where the list of names and addresses of the limited partners are kept:

c/o Sowood Capital Management, 500 Boylston St, 17th floor Boston MA 02116
Address City Arizona Zip

The names, addresses and signature of each general partner:

Comtel Assets, Inc.

Printed name	Signature		
600 Travis, Suite 2775	Houston	TX	77002
Street Address	City	State	Zip
Megan Kelleher, Secretary	By: Comtel Assets, Inc.		
	<i>Megan Kelleher</i>		
Printed name	Signature		
500 Boylston Street, 17th floor	Boston	MA	02116
Street Address	City	State	Zip

If necessary, please attach additional sheets.

EXHIBIT E
BIOGRAPHIES OF KEY PERSONNEL

Biographies of Key Personnel of Comtel Telcom Assets LP

(Including Management Members from the VarTec Companies Currently Expected to Continue in Management Roles for Comtel after Consummation of the Transaction)

Stuart Porter - Chairman

Mr. Porter serves as Chief Investment Officer for Sowood Commodity Partners Funds. Previously, Mr. Porter was employed as a Vice President and Portfolio Manager at Harvard Management Company where he focused on relative value transactions in commodities and structured private transactions in the commodity sector. He was responsible for investments in pipelines, hedge oil and gas reserves, equity in retail and wholesale energy providers and distressed investments in the metals sector. Such investments were premised on implementation of commodity hedges or the implementation of "real option" analysis. Mr. Porter previously worked as the European time zone trader for Bacon Investments and at J. Aron, a division of Goldman Sachs. While at J. Aron he worked on the Goldman Sachs Commodity Index desk within the metals group. Prior to joining J. Aron, Mr. Porter was a self-employed trader at the Chicago Board of Trade and had been employed by Cargill Incorporated in Minnetonka, Minnesota as a trader in the Financial Markets Division. Mr. Porter received a Bachelor of Arts degree in Economics from the University of Michigan in 1987 and his M.B.A. from the University of Chicago Graduate School of Business in 1994.

William Zartler - President

Mr. Zartler has 18 years of experience in the midstream energy and petrochemical industries. From 1989 through 1993, Mr. Zartler was the Feedstock Trading Manager and the Business Analyst at Dow Hydrocarbons and Resources where he was responsible for supply management and feedstock economics for the basic petrochemical businesses. From 1993 through 1998, Mr. Zartler served as Senior Vice President and General Manager at Dynegy with responsibilities for the Natural Gas Liquids Downstream business unit and a portion of the Gas Trading operation. Mr. Zartler led the growth of Dynegy's Natural Gas Liquids business from nearly zero in 1993 to an operating margin of over \$100 million per year by 1998. From 1999 through 2001, Mr. Zartler founded and actively managed several small companies and in 2002 started and built a

downstream Natural Gas Liquids business for Aquila, Inc. Thereafter, Mr. Zartler founded Solaris Energy Services an organization specializing in energy commodity and asset consulting and investment. Mr. Zartler serves as Chairman of the Board of NGL Supply, Inc., a Tulsa based Natural Gas Liquids and Propane terminal, marketing and trading organization. He serves on the Board of Gavelston LNG, a Calgary and London based LNG Terminal project and LNG marketing operation, and Mercomm LLC an Austin, TX based provider of telecommunication wholesale services, all Sowood portfolio companies. Mr. Zartler received a Bachelor of Science degree in Mechanical Engineering from The University of Texas at Austin in 1987 and a Masters in Business Administration from Texas A&M University in 1989 and also attended the Stanford University Business School Executive Program in 1998.

Megan Kelleher

Megan Kelleher is the General Counsel of Sowood Capital Management LP. Ms. Kelleher's experience includes negotiation of contracts for investment and trading relationships, including private placement documentation. She is experienced with legal and business risk analysis of investment instruments for portfolio managers and has assisted with the establishment of risk and regulatory compliance standards and procedures. Ms. Kelleher also served in an investment role in the Commodities Portfolio at Harvard Management Company where she analyzed, valued and negotiated private equity and structured finance transactions. Concurrently, Ms. Kelleher participated in the international equity portfolios with legal, regulatory and strategy issues surrounding proposed restructurings of closed-end funds. Ms. Kelleher received a Bachelor of Arts from Stonehill College in 1991, a Juris Doctor from New England School of Law in 1994 and a *Master of Business Administration* from Boston College in 2001.

Patrick Marburger

From 1983 through 1989, Mr. Marburger's primary concentration was in financial accounting and auditing while working for Kaneb Services, Inc. and Anadarko Petroleum Corporation, both

Texas-based energy concerns. In 1989, Mr. Marburger joined Olympic Natural Gas Company as Controller where he focused on day-to-day finance and accounting matters and led the Company's efforts in raising acquisition financing. In 1992, he became a founding member of British Gas, plc's Global Gas Americas group dedicated to originating, structuring, financing and closing energy related asset transactions in North and South America. In 1994, Mr. Marburger began a 9-year career with Dynegy (formerly Natural Gas Clearinghouse) as head of its mergers and acquisitions group. He was involved in successfully completing over \$2.5B in transactions in less than three years, elevating Dynegy to a fortune 500 company by 1997. From 1997 until 2003, he moved to a commercial role where he rose to Senior Vice President of Natural Gas Trading and Power Origination and in 2002, President of its telecommunications venture. Mr. Marburger received a Bachelor of Business Administration in Accounting from Sam Houston State University in 1983, and he is a Certified Public Accountant.

Jerry Ou

Jerry Ou serves as President of Mercantel Communications LP and has been in the telecommunications industry for the last five years. Mr. Ou has previously worked with Simplified Development, the technology provider for Teleworks, as a senior consultant focusing primarily on the Asian-American customer base and working with such customers as PCCW. Mr. Ou, serving as a business strategist for Simplified Development, helped secure initial investment funding with venture capitalists. Most recently, Mr. Ou was one of the responsible parties involved in creating the wholesale voice division at Dynegy, which led to the formation of Teleworks Wholesale Services, LP. Prior to Simplified Development, Mr. Ou was a financial analyst with a subsidiary of Goldman Sachs where he structured mezzanine finance deals that included, but were not limited to, real estate bond offerings from JP Morgan and the Morgan Bank of Tokyo in addition to managing real estate assets for Goldman Sachs and the Archon Group. Mr. Ou graduated from Harvard University with an honors degree in Economics.

Richard Dinh

Mr. Dinh serves as Chief Operating Officer of Mercantel Communications LP and has been in the telecommunications space for the last five years. Mr. Dinh previously worked for Simplified

Development where he helped secure investor funding. Mr. Dinh also managed Simplified Development's customer accounts in Asia, resulting in his move to lead consultant for the SingTel project. Meanwhile, Mr. Dinh was also one of the responsible parties involved in creating a wholesale voice division and platform for Dynegy, which has led to the formation of Teleworks Wholesale Services, LP.

Prior to his role with Simplified Development, Mr. Dinh was a financial analyst with a subsidiary of Goldman Sachs where he structured mezzanine finance deals that included, but were not limited to, real estate bond offerings from JP Morgan and the Bank of Tokyo in addition to managing the real estate debt portfolios for Goldman Sachs and the Achron Group. Mr. Dinh graduated from Harvard University in 1998 with an honors degree in Psychology.

Anthony L. Cecil

Mr. Cecil's background encompasses forensic accounting investigations and audits in a wide range of industries. Most recently, he was a senior manager for Bederson & Company, LLP, a public accounting firm. Prior to joining Bederson, he was a managing director of Virginia-based CoreFacts, LLC, senior manager in KPMG's Forensic and Litigation Services group, director of special investigations units for Bell Atlantic Corporation and Bell Atlantic Mobile and a senior auditor for Price Waterhouse.

While working at the Bell Atlantic Corporation and Bell Atlantic Mobile, Mr. Cecil established and directed special investigations units to perform high level, sensitive fraud investigations of alleged wrongdoing by employees, vendors, and customers. Each unit consisted of individuals, who had financial, auditing, and law enforcement experience. In addition, he developed a sophisticated white-collar crime intelligence system to aid in the building of complex fraud cases.

Mr. Cecil managed regional Bell Atlantic Corporation audit teams responsible for auditing operations with revenues and expenses of up to \$1 billion. He developed annual audit plans for a staff of 18 professional auditors. He planned and conducted audits to assess the adequacy of internal controls and the efficiency of operations. He prepared creative and innovative audit

reports that clearly presented audit findings and encouraged management to take corrective action. These reports consistently set new standards for all reports in the Internal Auditing organization.

Mr. Cecil holds a Bachelor of Science degree in Accounting from the University of Maryland and a Master of Science in Economic Crime Management from Utica College. He is a practicing Certified Public Accountant (licensed in Maryland) and is a Certified Fraud Examiner.

James Cashiola

Mr. Cashiola founded and was President of Simplified Development Corp, an infrastructure software company focused on creating technology that aids service providers in operating and offering their services while optimizing underlying cost elements. Mr. Cashiola started in the telecommunications business in 1985 with a dialup business focused on transmission of government documents. In 1989, Mr. Cashiola transitioned to the switchless resale business, and in 1991, moved into the facilities-based resale with a focus on the development and implementation of IVR and ISDN technologies. By 1996, Mr. Cashiola entered into carrier class switching and was designing and developing proprietary software, which was integral to perform protocol translation that allowed for management of direct routes into international countries. Over his career, Mr. Cashiola has founded or co-founded seven different telecommunications businesses ranging from service bureau to prepaid calling card to wholesale carrier companies. Mr. Cashiola graduated from the University of Southern California in 1984 with a degree in Philosophy.

Mark A. Carter

Mr. Carter is a seasoned executive and entrepreneur with extensive experience in finance, accounting, audit, investigations and internal controls. Most recently, he was a founder and Chief Financial and Operations Officer of CoreFacts, LLC, a high technology investigations and litigation support company. At CoreFacts, he assembled and managed a team of investigative specialists and provided professional services to a wide range of clients, including extensive investigations into fraud and trade secret theft for major telecommunications companies. He

developed and implemented all financial and operational support systems and guided CoreFacts through its sale to a public company.

Prior to his venture with CoreFacts, Mr. Carter spent eleven years with Bell Atlantic Corporation. His tenure at Bell Atlantic began in internal auditing where he eventually headed a group responsible for assessing risks, developing plans, and executing audits of all financial and operational aspects of telephone company operations. Later, as the head of worldwide security, he established programs to investigate and prevent fraud, waste and abuse and served as a key participant in establishing a corporate ethics and compliance program to ensure conformity with federal, state, and local regulatory requirements.

Also, selected for a Fellowship for The Brookings Institution, Mr. Carter spent a year as a Legislative Assistant to Congressman Scott Klug, (R, WI) where he oversaw the Congressman's participation in programs for the privatization of government functions and the auditing and financial reorganization of Capitol Hill operations. Mr. Carter's other experience includes four years as a Special Agent Accountant for the Federal Bureau of Investigation. As an Agent, he participated in and led investigations of federal offenses, including bank fraud and embezzlement, public corruption, fraud against the Federal Government, and commercial bribery. In addition, Mr. Carter was an active duty aviation officer in the United States Army for four years, gaining valuable experience in the leadership and management of large groups of personnel and high dollar value equipment and budgeting. Mr. Carter holds a Bachelor of Science degree in Accounting and a Masters of Business Administration in Finance from Troy State University. He is a non-practicing Certified Public Accountant (licensed in Virginia from 1988 to 1992) and has continuing and graduate level education and training in federal taxation, audit, and business planning.

VarTec Companies

Rod Overlander

Mr. Overlander is a seasoned telecommunications executive with 22 years of experience. Mr. Overlander serves as Vice President – Billing Services and has responsibility for all facets of the

VarTec Companies' retail, commercial and wholesale billing processes. This includes billing operations and controls, payment operations, data management and LEC relations.

Mr. Overlander's background includes numerous executive appointments across multiple disciplines within domestic and international local exchange, long distance, and competitive local exchange telecommunications businesses. He has significant experience in the identification and implementation of process and organizational improvements. Mr. Overlander earned a Bachelor of Arts in Accounting from Central College in 1982.

Randy McNeal

Mr. McNeal has over 22 years of experience with VarTec and several companies acquired by VarTec during that time. As Senior Vice President, Network Planning, Mr. McNeal was instrumental in merging the Telco, Advantis, and Excel networks and moving Excel off net traffic from MCI to a new network at a cost savings of \$15M per month. During his tenure as General Manager, eMeritus Communications (now known as VarTec Solutions, Inc.), Randy significantly turned around a failing business unit, while simultaneously launching new carrier business. The combined projects delivered four years of continuous revenue and profit growth. Most recently, as Senior Vice President of Network for the VarTec Companies, Mr. McNeal has dramatically reduced network costs by 35% and growing as well as completing development of a network inventory system. Mr. McNeal holds a Bachelor of Science Degree in Administration and Management from William Jewell College (1982).

Keith Henderson

Mr. Henderson began his career with VarTec Telecom, Inc. in March 2002 and is currently Vice President - Customer Service. He is responsible for operations, including internal call centers as well as international and domestic outsourced call center operations. In addition, Mr. Henderson has the responsibility for the provisioning operations for local and long distance products as well

as responsibility for call center technologies (IVR, ACD, quality monitoring), customer service program management, training and curriculum development, and customer relations. Mr. Henderson has also been responsible for Receivables Management operations, primarily focusing on the reduction of bad debt through inbound and outbound collections. Mr. Henderson has 24 years of leadership experience with major telecommunications providers, such as SBC, Sprint, and Citizens Communications. His diverse experience includes information technology, field operations, billing, receivables management, customer service, acquisition of telecom properties and Total Quality Management (TQM) processes, including the teaching of business process improvement and statistical process control applications.

Mr. Henderson received his Bachelor of Science degree from the University of Texas (Dallas) in 1979 and his Master of Science degree from the University of Texas (Dallas) in 1981.

Melissa A. Drennan, Esq.

Ms. Drennan graduated, with distinction, from the University of Notre Dame in 1991, with a Bachelor of *Arts* in English and a minor in Public Policy. She received her Juris Doctorate degree from Southern Methodist University's Dedman School of Law in 1994, and served on the SMU Law Review. While at law school, Drennan was a founding member and Chairperson of the Board of Advocates, as well as a Student Senator. She received the International Academy of Trial Lawyers Award in 1994, was elected SMU's Outstanding Advocate of the Year in 1994, and was named in Who's Who Among American Law Students 1992-1994. After graduation, Ms. Drennan served as a Briefing Attorney for Justice David L. Richards and Justice David F. Farris, of the Second Court of Appeals for the State of Texas from 1994 to 1995.

Prior to joining VarTec, Ms. Drennan was an associate in the Fort Worth, Texas office of Haynes & Boone, L.L.P. She participated in a wide array of litigation, appellate, and mediated matters, representing a broad range of clients, from Fortune 500 companies in multi-party cases to individual business owners in contract disputes.

Ms. Drennan joined VarTec in August of 1998. In her current role as Deputy Chief Counsel and

Vice President – Litigation and Compliance, Ms. Drennan is responsible for corporate compliance, litigation, dispute resolution, regulatory affairs, employment law issues, marketing compliance and the intellectual property portfolio of VarTec and all of its subsidiaries. She oversees the management of the Regulatory Affairs Department, which supports all of VarTec's utility and other operations in addition to those of its subsidiaries.

BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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

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AZ CORP COMMISSION
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IN THE MATTER OF THE JOINT APPLICATION OF

COMTEL TELECOM ASSETS LP

AND

VARTEC TELECOM, INC., EXCEL TELECOMMUNICATIONS, INC., AND VARTEC SOLUTIONS, INC.

FOR APPROVAL OF A TRANSFER OF ASSETS

DOCKET NO. T-20423A-05-0677
DOCKET NO. T-03401A-05-0677
DOCKET NO. T-02584A-05-0677
DOCKET NO. T-03188A-05-0677

SUPPLEMENT TO JOINT APPLICATION FOR APPROVAL OF A TRANSFER OF ASSETS

On September 25, 2005, Comtel Telcom Assets LP (“Comtel”), VarTec Telecom, Inc. (“VarTec Telecom”), Excel Telecommunications, Inc. (“Excel”) and VarTec Solutions, Inc. (“VarTec Solutions”) (VarTec Telecom, Excel and VarTec Solutions are referred to collectively as the “VarTec Companies”, and the VarTec Companies and Comtel are referred to collectively as the “Applicants”) filed their joint application for consent to transfer assets (the “Application”) with the Arizona Corporation Commission (“Commission”). In the Application, the Applicants requested that the Commission (i) approve Comtel’s acquisition of certain assets of the VarTec Companies; and (ii) grant Comtel a certificate of convenience and necessity (“CC&N”) to provide competitive resold interexchange services and competitive resold and facilities-based local exchange and exchange access services within Arizona. Upon completion of the transaction, the VarTec Companies will no longer provide telecommunications services and will relinquish their

Snell & Wilmer

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1 respective CC&Ns, and Comtel will step into the shoes of the VarTec Companies and provide
2 telecommunications services to the current customers of the VarTec Companies.

3 The purpose of this supplement to the Application is to (i) provide additional information
4 that the Commission may need in order to grant the requested CC&N to Comtel; and (ii) clarify
5 that the VarTec Companies own no assets in Arizona, and that the effect of the transaction
6 between the VarTec Companies and Comtel is to transfer the customers of the VarTec Companies
7 in Arizona to Comtel.
8

9 **I. SUPPLEMENTAL INFORMATION FOR COMTEL'S CC&N APPLICATION**

10 In addition to the information already provided in the Application, the Applicants provide
11 the following supplemental information:

12 1. Comtel requests a CC&N to provide competitive resold local exchange and access
13 services, competitive facilities-based local exchange and access services, and competitive resold
14 interexchange services.
15

16 2. Comtel's e-mail address for regulatory matters is regulatoryaffairs@vartec.net. Upon
17 closing of the transaction, Comtel anticipates utilizing the websites of the VarTec Companies:
18 www.vartec.net, www.excel.com, www.vartecsolutions.net.

19 3. In addition to its own name, Comtel will do business in Arizona under the trade names
20 VarTec Telecom, VarTec Solutions, Excel Telecommunications and Clear Choice
21 Communications.
22

23 4. The management and complaint contact for Comtel is:

24 Becky Gipson
25 Director, Regulatory Affairs
26 2440 Marsh Lane
27 Carrollton, Texas 75006
28 Phone: (972) 478-3309
Fax: (972) 478-3310
bgipson@vartec.net

1
2 5. The attorneys for the Applicants are:

3 Jeffrey W. Crockett, Esq.
4 Marcie Montgomery, Esq.
5 SNELL & WILMER
6 One Arizona Center
7 400 East Van Buren Street
8 Phoenix, Arizona 85004-2202
9 Phone: (602) 382-6234
10 Fax: (602) 382-6520
11 E-mail: jcrockett@swlaw.com
12 E-mail: mamontgomery@swlaw.com

13 6. Comtel is a limited partnership organized under the laws of the State of Texas.
14 Certificates of good standing are not issued for limited partnerships. However, copies of the
15 formation documents for Comtel were submitted as Exhibit "A" to the Application.

16 7. In the Application filed September 23, 2005, the Applicants provided an organizational
17 chart for Comtel which included the percentages of ownership. However, on January 17, 2006,
18 Comtel entered into an agreement whereby certain members of Comtel's management team were
19 issued minority, non-controlling, voting interests in Comtel and in Comtel's general partner,
20 Comtel Assets Inc. (through investment trusts and limited liability companies owned and
21 controlled by such management and their families). The nine entities holding management's
22 interests will collectively hold a 9.06% voting interest in Comtel Assets Inc. (with each entity
23 holding voting interests ranging from 0.14% to 4.08%) and a 8.97% interest in Comtel (with each
24 entity holding voting interest ranging from 0.13% to 4.04%). A modified organizational chart
25 showing the management's voting interests in Comtel and Comtel Assets Inc. is attached hereto
26 as Exhibit "A."

27 8. Comtel will use the same tariffs of VarTec Telecom, VarTec Solutions and Excel that are
28 on file with the Commission today. Copies of the tariffs of each of the VarTec Companies are
available on the Commission's web site. Upon approval of its request for a CC&N, Comtel will

1 submit revised tariffs which identify Comtel as the certificated service provider operating under
2 trade names VarTec Telecom, VarTec Solutions, Excel Telecommunications and Clear Choice
3 Communications.

4 9. Comtel requests a CC&N to serve statewide in Arizona.

5 10. None of Comtel's officers, directors, partners or managers has been or is currently
6 involved in any formal or informal complaint proceedings pending before any state or federal
7 regulatory commission, administrative agency or law enforcement agency..

8 11. None of Comtel's officers, directors, partners or managers has been or is currently
9 involved in any civil or criminal investigation, or had judgments entered in any civil matter,
10 judgments levied by any administrative or regulatory agency, or has been convicted of any
11 criminal acts within the last ten years.

12 12. Comtel's customers will be able to access alternative toll service providers or resellers via
13 1+101XXXX access.

14 13. The existing performance bonds of the VarTec Companies will be transferred to Comtel
15 upon closing of the transaction. If the amount of the performance bonds transferred to Comtel
16 exceeds \$135,000 (the combined bond amount required by the Commission for (i) resold
17 interexchange service (\$10,000); (ii) resold local exchange service (\$25,000); and (iii) facilities-
18 based local exchange service (\$100,000)), then the VarTec Companies and Comtel request that
19 the Commission authorize the cancellation or relinquishment of any such excess performance
20 bond.

21 14. Comtel is in the process of publishing notice of the Application in the statewide edition of
22 the Arizona Republic. Comtel will file with the Commission's Docket Control a copy of the
23 affidavit of publication upon receipt.
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1 15. Upon close of the transaction, Comtel will own one or more switches located outside of
2 Arizona that will be used to provide interexchange services. Comtel will not own a switch in
3 Arizona to provide local exchange services. Comtel plans to utilize Qwest Corporation as the
4 underlying provider in the provision of Comtel's local exchange services in Arizona. In addition,
5 Comtel plans to utilize other carriers including Qwest Corporation, Citizens Utilities Rural
6 Company, Inc. d/b/a Frontier Citizens Utilities Rural, and Citizens Telecommunications
7 Company of the White Mountains, for intrastate transport of interexchange calls within Arizona.
8

9 16. Comtel has sought authority to provide local exchange services in the District of
10 Columbia and all states except Alaska and Hawaii. Comtel has sought authority to provide
11 interexchange service in all fifty states and the District of Columbia. Comtel has not had any
12 application denied in any state where Comtel has requested authority to provide
13 telecommunications services. Comtel does not currently provide telecommunications services in
14 any state or the District of Columbia.
15

16 17. Comtel has two telecommunications affiliates: Comtel Virginia LLC, a wholly-owned
17 subsidiary of Comtel that operates only in Virginia on an intrastate basis, and Mercantel, an
18 affiliate of Comtel by way of common ownership through parent companies that provides
19 termination services but no intrastate services. To date, neither of Comtel's affiliates provide
20 intrastate services in Arizona.
21

22 18. Comtel was formed in July 2005 and operations have not commenced. Consequently,
23 Comtel has only partial-year financial statements for 2005. The partial financial statements are
24 attached hereto as Exhibit "B." Comtel will not be relying on the financial resources of its
25 general or limited partners.

26 19. Upon consummation of the transaction, Comtel will assume the existing operations of the
27 VarTec Companies. The annual revenues, operating expenses and net book values for the VarTec
28

1 Companies in recent years can be found in the annual reports filed with the Utilities Division.
2 Comtel has not prepared specific projections regarding expected revenues, operating expenses
3 and net book value for the Arizona jurisdiction. However, the financial information previously
4 submitted by the VarTec Companies in their annual reports provides relevant guidance regarding
5 the anticipated revenues, operating expenses and net book value for Comtel for the first twelve
6 months following certification.
7

8 20. Comtel does not have a resale agreement in operation at this time.

9 21. Comtel is not presently selling facilities-based local exchange or interexchange services in
10 Arizona. Comtel plans to provide facilities-based local exchange services upon Commission
11 approval of the Application and issuance of a CC&N to Comtel.

12 22. Comtel's resold local exchange and interexchange and facilities-based local exchange
13 services should be classified as competitive pursuant to Decision No. 64178.

14 23. Comtel will commit to abide by the quality of service standards approved by the
15 Commission for Qwest Corporation in Decision No. 59421.

16 24. Comtel will provide all customers with 911 and E911 service, where available, and will
17 coordinate with incumbent local exchange carriers and emergency service providers to provide
18 this service.
19

20
21 **II. THE VARTEC COMPANIES HAVE NO ASSETS IN ARIZONA**

22 In order to clarify any ambiguity which may exist in the Application, none of the VarTec
23 Companies have any assets in Arizona, and the effect of the transaction between the VarTec
24 Companies and Comtel will be to transfer all of the customers of the respective VarTec
25 Companies in Arizona to Comtel. Upon completion of the transaction described in the
26 Application, the VarTec Companies will have no customers in Arizona, and will relinquish their
27 respective CC&Ns.
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III. PUBLICATION OF NOTICE

On May 3, 2006, the VarTec Companies filed their notice of completion of customer notification with Docket Control certifying that the VarTec Companies provided written notice of the Application to their respective customers on or about March 17, 2006, via first class mail. Comtel is in the process of publishing notice of the transaction between Comtel and the VarTec Companies in the statewide edition of the Arizona Republic. Comtel will file with Docket Control a copy of the affidavit of publication upon completion of publication.

IV. CONCLUSION

WHEREFORE, the Applicants respectfully request that the Commission issue its order as follows:

- A. Granting a CC&N to Comtel to provide statewide competitive resold local exchange and access service, statewide competitive resold interexchange service, and statewide competitive facilities-based local exchange and access service;
- B. Authorizing Comtel to adopt the existing tariffs on file with the Commission for VarTec Telecom, VarTec Solutions and Excel;
- C. Canceling the CC&Ns and tariffs of VarTec Telecom, VarTec Solutions, and Excel effective upon consummation of the transaction between the VarTec Companies and Comtel as described in the Application;
- D. Approving the transfer of the existing performance bonds held by VarTec Telecom, VarTec Solutions and Excel to Comtel in the amount of \$135,000, and authorizing the VarTec Companies and Comtel to cancel any performance bonds in excess of \$135,000; and
- E. Granting a waiver of the Commission's slamming and cramming rules as necessary in order to permit the consummation of the transaction between the VarTec Companies and Comtel as set forth in the Application.

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DATED this 16th day of May, 2006.

SNELL & WILMER



Jeffrey W. Crockett
Marcie Montgomery
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202
Attorneys for the Applicants

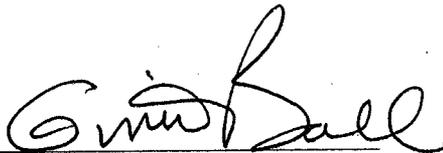
ORIGINAL and twenty (20) copies
filed with Docket Control this 16th
day of May, 2006.

COPY of the foregoing hand-delivered
this 16th day of May, 2006, to:

Lyn Farmer, Chief Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Maureen Scott, Staff Attorney
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
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Will Shand, Public Utilities Analyst Manager
Utilities Division
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Snell & Wilmer

LLP
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EXHIBIT A

EXHIBIT A

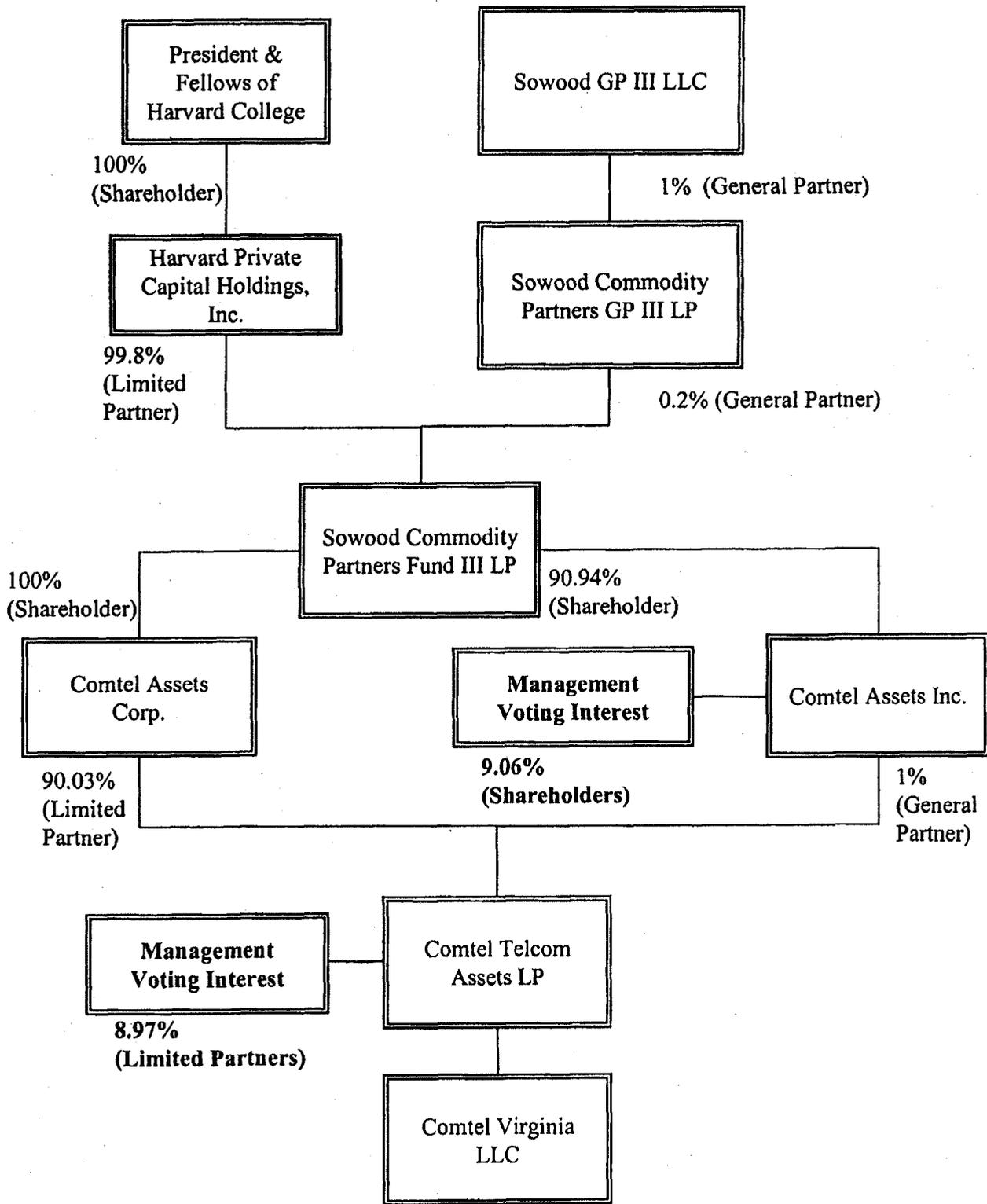


EXHIBIT B

Comtel Telecom Assets LP
Balance Sheet
September 15, 2005
(UNAUDITED)

September 15, 2005

Assets

CURRENT ASSETS

Cash and cash equivalents

\$ 7,074,372.40
7,074,372.40

NONCURRENT ASSETS

VarTec Inc Assets

36,403,419.69

36,403,419.69

TOTAL ASSETS

\$ 43,477,792.09

Liabilities & Partners' Capital

OTHER CURRENT LIABILITIES

Payroll Liabilities

\$ 5,303.40
5,303.40

TOTAL LIABILITIES

5,303.40

PARTNERS' CAPITAL

Comtel Assets Corp. 99%

43,106,187.65

Comtel Assets Inc. 1%

435,416.04

Net Income

(69,115.00)

43,472,488.69

TOTAL LIABILITIES & PARTNERS' CAPITAL

\$ 43,477,792.09

See accompanying notes to financial statements.

Comtel Telecom Assets LP
Statement of Operations
For the Period July 19, 2005 through September 15, 2005
(UNAUDITED)

	<u>Jul 19 - Sep 15, 2005</u>
OPERATING EXPENSES	
Contract Labor	\$ 65,647.00
Payroll Expenses	15,191.58
	<u>80,838.58</u>
Operating Income (Loss)	(80,838.58)
 NON-OPERATING INCOME/(EXPENSES)	
Interest Income	12,508.58
Other Expense	(785.00)
	<u>11,723.58</u>
 NET INCOME/(LOSS)	 <u><u>\$ (69,115.00)</u></u>

See accompanying notes to financial statements.

Comtel Telcom Assets LP
Statement of Partners' Capital
For the Period July 19, 2005 through September 15, 2005
(UNAUDITED)

	Jul 19 - Sep 15, 2005
PARTNERS' CAPITAL AT BEGINNING OF PERIOD	
Comtel Assets Corp. 99%	0.00
Comtel Assets Inc. 1%	0.00
	0.00
 CAPITAL FROM PARTNERS	
Comtel Assets Corp. 99%	43,106,187.65
Comtel Assets Inc. 1%	435,416.04
	43,541,603.69
 ALLOCATION OF NET LOSS	
Comtel Assets Corp. 99%	(68,423.85)
Comtel Assets Inc. 1%	(691.15)
	(69,115.00)
 PARTNERS' CAPITAL AT END OF PERIOD	
Comtel Assets Corp. 99%	43,037,763.80
Comtel Assets Inc. 1%	434,724.89
	\$ 43,472,488.69

See accompanying notes to financial statements.

Notes to the Financial Statements

(1) ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) PARTNERSHIP PAYMENT AT FINAL CLOSING

Upon Final Closing, the Partnership shall pay Seller an estimated \$40.5 million in accordance with the Asset Purchase Agreement dated July 25, 2005.

(3) FUNDING ACCOUNT

Between the Early Funding Date and Final Closing, the Accounts Receivable proceeds collected by the Seller will be deposited into a Funding Account to serve as the primary funding source for the Seller to satisfy its obligations to pay Business Expenses. Funds in the Funding Account shall be an Acquired Asset and shall become the property of the Partnership upon Final Closing, and are expected to be used in part to pay the balance of the purchase price referred to in note 2, above. As of September 20, 2005, the Seller has accumulated \$12.7 million in the Funding Account.

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

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IN THE MATTER OF THE JOINT
APPLICATION OF

COMTEL TELECOM ASSETS LP

AND

VARTEC TELECOM, INC., EXCEL
TELECOMMUNICATIONS, INC., AND
VARTEC SOLUTIONS, INC.

FOR APPROVAL OF A TRANSFER OF
ASSETS

DOCKET NO. T-20423A-05-0677
DOCKET NO. T-03401A-05-0677
DOCKET NO. T-02584A-05-0677
DOCKET NO. T-03188A-05-0677

NOTICE OF COMPLETION OF
CUSTOMER NOTIFICATION

Notice is hereby given that applicants VarTec Telecom, Inc., Excel Telecommunications, Inc., and VarTec Solutions, Inc. (collectively, "the VarTec Companies") provided written notice of the above-captioned application to their respective customers on or about March 17, 2006, via first class mail. Attached hereto is a copy of the Affidavit of Becky Gipson, Director of Regulatory Affairs for VarTec Telecom, Inc., attesting to the completion of customer notification.

DATED this 3rd day of May, 2006.

SNELL & WILMER

Jeffrey W. Crockett
Marcie Montgomery
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202
Attorneys for VarTec Telecom, Inc., Excel Telecommunications, Inc., and VarTec Solutions, Inc.

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Phoenix, Arizona 85004-2202
(602) 392-6000

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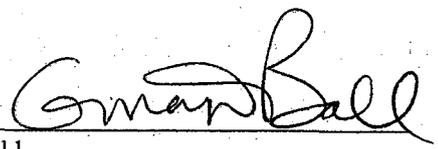
ORIGINAL and twenty (20) copies
filed with Docket Control this 3rd
day of May, 2006.

COPY of the foregoing hand-delivered
this 3rd day of May, 2006, to:

Lyn Farmer, Chief Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Maureen Scott, Staff Attorney
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Will Shand, Public Utilities Analyst Manager
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007



1829311.1

AFFIDAVIT OF BECKY GIPSON

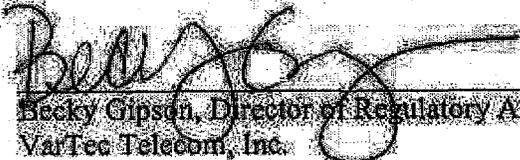
STATE OF TEXAS

County of Dallas } ss.

I, Becky Gipson, upon my oath, do swear and attest as follows:

1. I am the Director of Regulatory Affairs for VarTec Telecom, Inc.
2. In my capacity as Director of Regulatory Affairs of VarTec Telecom, Inc. I filed with the Arizona Corporation Commission a joint application on behalf of Comtel Telecom Assets, LP ("Comtel"), VarTec Telecom, Inc., Excel Telecommunications, Inc., and VarTec Solutions, Inc. (collectively, the "VarTec Companies"), for approval of the transfer of the assets and certificates of convenience and necessity of the VarTec Companies to Comtel (Docket Nos. T-204254-05-0677, T-054014-05-0677, T-025844-05-0677 and T-031884-05-0677).
3. On or about March 17, 2006, I caused the attached notice to be mailed to customers of the VarTec Companies via first class mail.

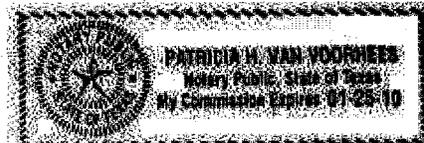
FURTHER AFFIANT SAYETH NOT.


Becky Gipson, Director of Regulatory Affairs
VarTec Telecom, Inc.

SUBSCRIBED AND SWORN TO BEFORE ME this 20th day of May, 2006,
by Becky Gipson, Director of Regulatory Affairs of VarTec Telecom, Inc.


Notary Public

MY COMMISSION EXPIRES:



01-25-2010

1829289.1

¹ The attachment contains the text of the notice, and is not an actual copy of the notice that was mailed.

March 2006

**NOTICE OF CHANGES TO TERMS AND CONDITIONS OF
SERVICE AND TRANSFER OF SERVICE**

NO ACTION IS REQUIRED ON YOUR PART

The VarTec Companies are hereby providing you with notice of changes to certain sections of the terms and conditions for the services provided to your household and/or place of business. If you would like to review a copy of the complete Terms and Conditions document associated with your service(s), you may find this information on one of the applicable websites cited herein, or contact us at the applicable customer service toll-free number provided herein. The applicable notice provisions of the respective terms of use for various products and services provided by the VarTec Companies are hereby amended to reflect the following new address for how to give notice to us: Address: P.O. Box 650582, Dallas, TX 75265-0582. The Terms and Conditions associated with VarTec Telecom, Excel Telecommunications and VarTec Solutions are each further amended in the following respects: (a) removal throughout of the abbreviation "Inc." associated with the word "VarTec Telecom" or "Excel Telecommunications" or "VarTec Solutions", as applicable; (b) removal throughout of the reference to "Telephone Express", where applicable; (c) change of the inspection location of the public reference document to the corporate headquarters location in Dallas, Dallas County, Texas; (d) change of address for providing notice of a dispute to P.O. Box 650582, Dallas, TX 75265-0582; (e) to implement all necessary format changes and other edits to give effect to the changes set forth in this notice letter; and (f) to add "Customers are responsible for notifying us of any change of address within 45 days of the new address, including zip code changes." These changes will take effect on or after May 22, 2006.

Your local and/or long distance services are currently provided by one of the following companies in our family of telecommunications companies: VarTec Telecom, Inc., Excel Telecommunications, Inc., Clear Choice Communications, and VarTec Solutions, Inc. (a/k/a eMeritus Communications, Inc.) (collectively, the "VarTec Companies"). Soon, Comtel Telcom Assets LP and Comtel Virginia LLC¹ (together, "the Company") will be acquiring the assets of the VarTec Companies, and after obtaining the necessary regulatory approvals, your services will be provided by the Company, which will continue to do business under the names of the various VarTec Companies. The purchase will occur on or after May 22, 2006 (the "effective date"). You will notice no differences on your bill. Your local telephone number will not change, and you will not incur any additional charges. The rates and terms and conditions for the phone services provided as of the effective date by the VarTec Companies will remain unchanged, except as provided for above.²

The Company is excited to continue to provide you with the same dependable, affordable communications services. On the effective date, the Company will automatically become your service provider for any services you currently receive from the VarTec Companies, unless you select another provider before April 21, 2006, and the Company will maintain all customer account information, including payments, deposits, or other customer details. There will be no service interruption to customers during this process. Customers remain responsible for charges incurred before and after the effective date. If, in the future, there are any changes to your rates or the terms and conditions of your

¹ Comtel Virginia LLC will serve customers of VarTec Telecom of Virginia, Inc. and Excel Telecommunications of Virginia, Inc. within Virginia only. All other customers will be served by Comtel Telcom Assets LP.

² Current rates, terms and conditions may be viewed by visiting the applicable VarTec Company website: www.vartec.com, www.excel.com, www.vartecsolutions.net or www.clearchoice.net.

service, you will be notified of those changes in accordance with the terms and conditions and any applicable state and federal requirements.³ Until the effective date, the VarTec Companies will continue to be responsible for addressing all billing and customer service issues. After the effective date, you should refer your questions to the Company at the same customer service number that you currently use for the VarTec Companies; this information is provided within for your convenient reference.⁴

Regarding your provider, customers always have the right to select another provider if they desire to do so and another provider is available, or customers may otherwise disconnect their services, subject to the terms of their contract(s) with the VarTec Companies, if any. Customers who wish to select an alternative provider need to contact that provider or their local telephone company and additional charges may apply. If customers select an alternative provider after April 21, 2006, the selection may not be processed until after the effective date. There will be no change to the provider of any service customers receive from a carrier other than the VarTec Companies as a result of the purchase. If customers have a preferred carrier "freeze" on any of the services being transferred, the freeze will be lifted before the transfer, if required. If lifted, in order to reinstate a preferred carrier freeze, customers must contact their local service provider after the effective date.

The Company will post any additional news and updates at www.vartec.com or you may call (800) 543-1768 with questions regarding this notice or other customer service questions.

It has been a pleasure to provide you with quality local and/or long distance services, and we emphasize that you will be treated as a valued customer of the Company.

Sincerely,

**VarTec Telecom, Inc. (d/b/a Clear Choice Communications)
Excel Telecommunications, Inc.
VarTec Solutions, Inc. (a/k/a eMeritus Communications, Inc.)
Comtel Virginia LLC, and
Comtel Telcom Assets LP**

³ Tennessee Customers: The Company will provide you with at least a 30-day written notice of any rate increase that may affect your service up to 90 days after the transfer date.

⁴ Customers in DC, HI and WV may contact the following agencies with additional questions regarding this purchase: District of Columbia: DC PSC, 1333 H Street, NW, Suite 200, West Tower, Washington, DC 20005, Tel. (202) 626-5100 or DC Office of the People's Counsel, 1133 15th Street N.W., Suite 500 Washington, D.C. 20005, Tel. (202) 727-3071. Hawaii: Hawaii PUC, 465 South King Street, Room 103 Honolulu, Hawaii 96813, Tel. (808) 586-2020. West Virginia: West Virginia PSC, 201 Brooks Street, Charleston, WV 25323, Tel. (304) 340-0300.

Snell & Wilmer

LAW OFFICES
One Arizona Center, 400 E. Van Buren
Phoenix, Arizona 85004-2202
(602) 382-6000

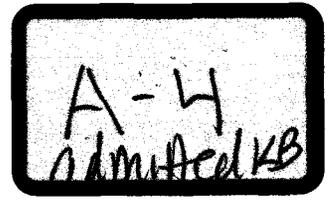
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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

2006 JUL 17 P 4: 35
AZ CORP COMMISSION
DOCUMENT CONTROL



IN THE MATTER OF THE JOINT
APPLICATION OF

COMTEL TELECOM ASSETS LP

AND

VARTEC TELECOM, INC., EXCEL
TELECOMMUNICATIONS, INC., AND
VARTEC SOLUTIONS, INC.

FOR APPROVAL OF A TRANSFER OF
ASSETS

DOCKET NO. T-20423A-05-0677
DOCKET NO. T-03401A-05-0677
DOCKET NO. T-02584A-05-0677
DOCKET NO. T-03188A-05-0677

NOTICE OF FILING AFFIDAVIT
OF PUBLICATION

In accordance with the Arizona Corporation Commission's Procedural Order dated June 26, 2006, Comtel Telecom Assets LP, Vartec Telecom, Inc., Excel Telecommunications, Inc., and Vartec Solutions, Inc. have published notice of the above-captioned application in the state-wide edition of *The Arizona Republic* on July 10, 2006. A copy of the Affidavit of Publication from *The Arizona Republic* is attached hereto as Exhibit A.

DATED this 17th day of July, 2006.

SNELL & WILMER

Jeffrey W. Crockett
Marcie Montgomery
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202
Attorneys for Comtel Telecom Assets LP, Vartec Telecom,
Inc., Excel Telecommunications, Inc., and Vartec Solutions,
Inc.

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ORIGINAL and twenty (20) copies
filed with Docket Control this 17th
day of July, 2006.

COPY of the foregoing hand-delivered
this 17th day of July, 2006, to:

Lyn Farmer, Chief Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Chris Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Ernest G. Johnson, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007



1860989.1

EXHIBIT A

PUBLIC NOTICE OF HEARING ON THE JOINT APPLICATION OF COMTEL TELECOM ASSETS LP, VARTEC TELECOM, INC., EXCEL TELECOMMUNICATIONS, INC. AND VARTEC SOLUTIONS, INC. FOR APPROVAL OF A TRANSFER OF ASSETS (T-20423A-05-0677 et al)

On September 25, 2005, Comtel Telecom Assets LP ("Comtel"), VarTec Telecom, Inc. ("VarTec Telecom"), Excel Telecommunications, Inc. ("Excel") and VarTec Solutions, Inc. ("VarTec Solutions") filed with the Arizona Corporation Commission ("Commission") an application for approval to transfer assets.

On May 16, 2006, the Applicants filed a Supplemental Application to provide additional information to support Comtel's application for a Certificate of Convenience and Necessity ("Certificate") and clarifying that the Applicants have no assets in Arizona and that the application is a request to transfer all assets from the VarTec companies to Comtel.

The Commission will hold a public hearing on the application at 1200 West Washington Street, Phoenix, Arizona 85007, on August 14, 2006 at 10:00 a.m.

Interested parties may file a written motion to intervene with the Commission and send such motion to the Company or its counsel and to all parties of record, and which at the minimum, shall contain the following:

- The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
- A short statement of the proposed intervenor's interest in the proceeding (e.g. a customer of the company, a shareholder of the company, a competitor, etc.)
- A statement certifying that a copy of the Motion to Intervene has been mailed to the Company or its counsel and to all parties of record in the case.

A.C. R14-3-105 shall govern the granting of Motions to Intervene. The granting of intervention, among other things, enables a party to present evidence at the hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any interested person from appearing at the hearing and providing public comment on the application. The hearing is scheduled to commence on August 14, 2006 at 10:00 a.m. at the Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. Please check with the Commission for any changes to the scheduled hearing date.

If you have any comments, mail them to:
The Arizona Corporation Commission Attention Docket Control Re: Comtel Telecom Assets LP, VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc. Docket No. T-20423A-05-0677 1200 West Washington Street Phoenix, Arizona 85007

If you have any questions about this application or have any objections to its approval, you may contact Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request reasonable accommodations such as sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number (602) 542-3931, E-Mail LHogan@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

Published: July 10, 2006

THE ARIZONA REPUBLIC

STATE OF ARIZONA }
COUNTY OF MARICOPA } SS.

Kelly Howard, being first duly sworn, upon oath deposes and says: That he is a legal advertising representative of the Arizona Business Gazette, a newspaper of general circulation in the county of Maricopa, State of Arizona, published at Phoenix, Arizona, by Phoenix Newspapers Inc., which also publishes The Arizona Republic, and that the copy hereto attached is a true copy of the advertisement published in the said paper on the dates as indicated.

The Arizona Republic

July 10, 2006

Kelly Howard

Sworn to before me this
11TH day of
July A.D. 2006

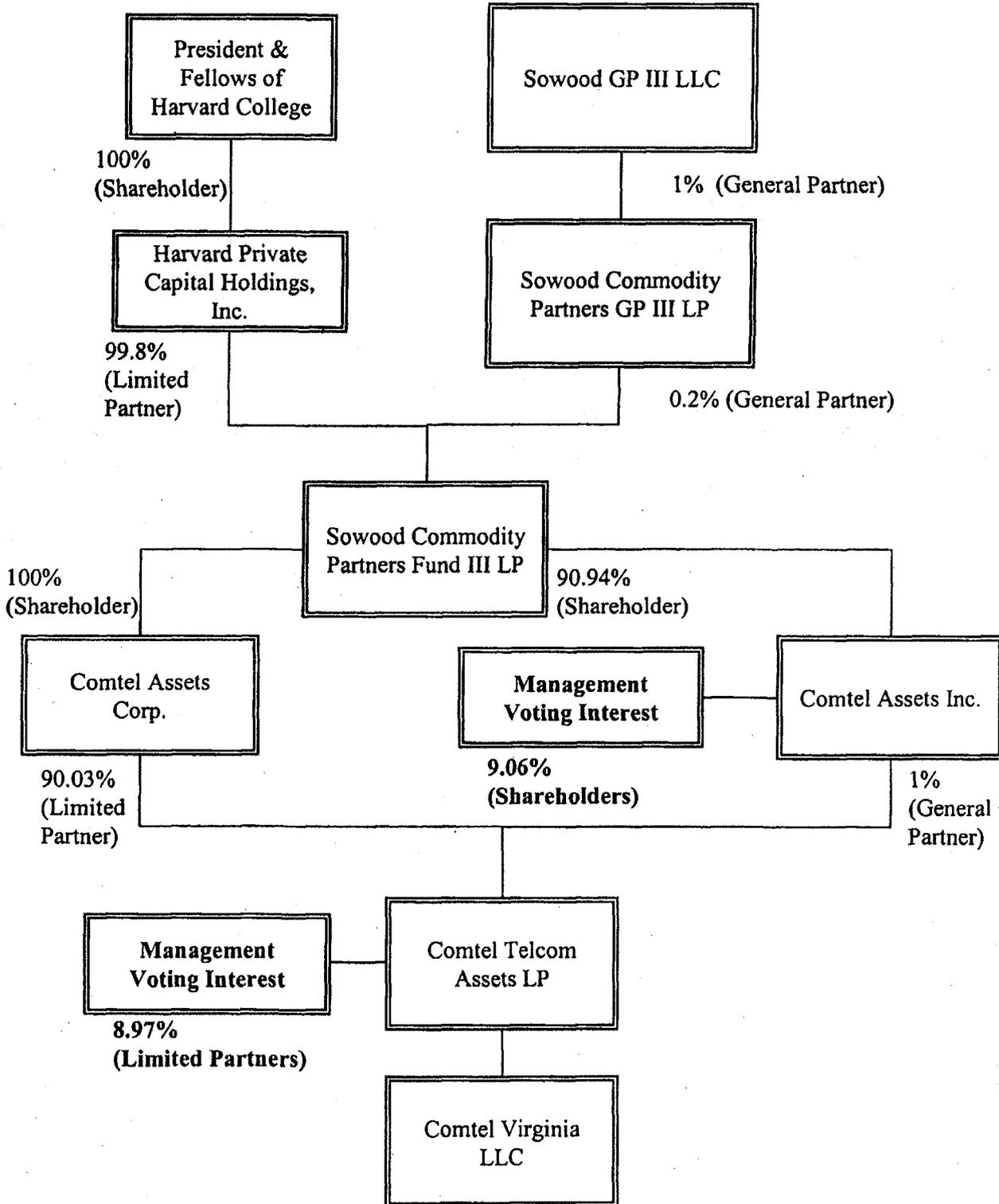


KAREN WAY
Notary Public - Arizona
Maricopa County
Expires 08/31/09

Karen Way
Notary Public

EXHIBIT A

A-5
admitted KB



Biographies of Key Personnel of Comtel Telecom Assets LP

A-6
Submitted 1/3
admitted

John D. Jenkins – Chief Administrative Officer

John Jenkins serves as Chief Administrative Officer for Comtel Telecom Assets LP. As Chief Administrative Officer, Mr. Jenkins directs Comtel's legal, regulatory and human resources divisions. His oversight also includes corporate services and contracts. Before joining Comtel, Mr. Jenkins was the President of First Advantage CoreFacts, a stand-alone division of the First Advantage Corporation (FADV), a leading risk mitigation and business solutions provider with tens of thousands of clients globally. He is formerly an executive at both Kroll Associates and DSFX International. Mr. Jenkins specialized in due diligence investigations of officers, directors, and key employees of target companies and initial public offering candidates, instituting, managing and monitoring corporate compliance programs, conducting internal fraud investigations and providing litigation support. He has managed a number of high-profile investigations including the SEC receivership inquiry into PinnFund, USA, one of the largest securities frauds in U.S. history. He was the outside compliance officer to several companies including Pacific Coin, LLC , one of the largest pay telephone operators in the U.S. He also served as Counsel to the Rampart Independent Review Panel, a body created by the Los Angeles Police Commission, which was responsible for reviewing the Los Angeles Police Department's Board of Inquiry Report and conducting a comprehensive examination of the police department in the wake of the Rampart corruption scandal. Mr. Jenkins was a Deputy District Attorney in Orange County, California and an attorney at Troop, Meisinger, Steuber & Pasich and Sheppard, and Mullin, Richter & Hampton, two large Los Angeles, California-based full service law firms.

LEGAL

MEMORANDUM

RECEIVED

TO: Docket Control

2006 JUN 21 P 2:37

FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

AZ CORP COMMISSION
DOCUMENT CONTROL

THRU: Matthew Rowell
Chief, Telecommunications and Energy Section
Utilities Division

RECEIVED

JUN 22 2006

DATE: June 23, 2006

LEGAL DIV.
ARIZ CORPORATION COMMISSION

RE: IN THE MATTER OF THE JOINT APPLICATION OF COMTEL TELCOM ASSETS LP, VARTEC TELECOM, INC., EXCEL TELECOMMUNICATIONS, INC. AND VARTEC SOLUTIONS, INC. FOR APPROVAL OF A TRANSFER OF ASSETS (DOCKET NOS. T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677 AND T-03188A-05-0677)

Attached is the Staff Report on the Joint Application of Comtel Telcom Assets LP, VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc. for approval of a transfer of assets. Staff recommends approval of the application

EGJ:WMS:red

Originator: Wilfred Shand, Jr.

Attachment: Original and Sixteen Copies



Service List for: Comtel Telecom Assets LP, VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc.

Docket Nos. T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677 and T-03188A-05-0677

Ms. Becky Gipson
Director Regulatory Affairs
VarTec Telecom, Inc.
2440 Marsh Lane
Carrollton, Texas 75006

Mr. Jeffery Crockett
Snell & Wilmer
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85004-2202

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Christopher C. Kempley
Chief Legal Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

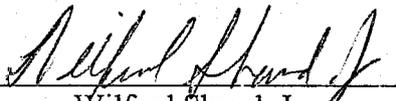
COMTEL TELCOM ASSETS LP, VARTEC TELECOM, INC., EXCEL
TELECOMMUNICATIONS, INC. AND VARTEC SOLUTIONS, INC.
DOCKET NOS. T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677
AND T-03188A-05-0677

IN THE MATTER OF THE JOINT APPLICATION OF COMTEL TELCOM ASSETS LP,
VARTEC TELECOM, INC., EXCEL TELECOMMUNICATIONS, INC. AND VARTEC
SOLUTIONS, INC. FOR APPROVAL OF A TRANSFER OF ASSETS

June 23, 2006

STAFF ACKNOWLEDGEMENT

The Staff Report for the Joint Application of Comtel Telcom Assets LP, Vartec Telecom, Inc., Excel Telecommunications, Inc. and Vartec Solutions, Inc. For Approval of a Transfer of Assets (Docket Nos.T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677 and T-03188A-05-0677), was the responsibility of the staff member listed below. Wilfred Shand, Jr. was responsible for the review and analysis of the application.



Wilfred Shand, Jr.
Public Utilities Analyst Manager

Introduction

On September 23, 2005, Comtel Telcom Assets LP ("Comtel") and VarTec Telecom, Inc., Excel Telecommunications, Inc., and VarTec Solutions, Inc. ("VarTec", "Excel" and "VarTec Solutions", respectively and the "VarTec Companies", collectively) submitted an application for Arizona Corporation Commission ("Commission") approval of the acquisition of certain of the VarTec Companies' assets by Comtel. The Applicants filed a Supplement to the application. The purpose of the Supplement is to provide additional information to support Comtel's application for a Certificate of Convenience and Necessity ("CC&N"). In addition the supplement is intended to clarify that applicants have no assets in Arizona and that this transaction is essentially a transfer of customers from the VarTec companies to Comtel.

The Parties

Comtel is a limited partnership organized under the laws of the State of Texas. Comtel is a newly formed limited partnership whose principal business will be telecommunications. Its general partner, Comtel Assets Inc. ("Comtel Inc.") owns 1 percent of the equity of Comtel. Comtel's limited partner, Comtel Assets Corp. ("Comtel Corp."), owns 99 percent of the equity of Comtel.

VarTec and Excel are corporations organized under the laws of the State of Texas. VarTec Solutions, which formerly operated under the corporate names, eMeritus Communications, Inc., Teleglobe Business Solutions, Inc. and Telco Holdings, Inc. d/b/a Dial & Save, is a Delaware corporation.

The VarTec Companies are privately-held corporations. VarTec Telecom Holding Company ("VarTec Holding"), a wholly-owned subsidiary of VarTec, holds 100 percent of the stock of Excelcom, Inc. ("Excelcom") and Telco Communications Group, Inc. ("Telco"). Excelcom is the direct and sole shareholder of Excel, and Telco is the direct and sole shareholder of VarTec Solutions. VarTec Holding and Excelcom are Delaware corporations, and Telco is organized in Virginia.

VarTec and Excel are certificated to provide competitive local exchange and interexchange services in Arizona. Specifically, VarTec was authorized by the Commission to provide competitive intraLATA and interLATA resold telecommunications services in Decision No. 62238 and was authorized to provide competitive facilities-based and resold local exchange and exchange access telecommunications services in Decision No. 65203. Excel was granted the authority to provide resold interexchange telecommunications services and competitive facilities-based and resold local exchange services in Decision No. 65470. VarTec Solutions was also authorized by the Commission to provide competitive resold interexchange telecommunications services in Decision No. 66640 under its former corporate name, eMeritus Communications, Inc.

The VarTec Companies voluntarily filed for Chapter 11 bankruptcy on November 1, 2004. As part of the bankruptcy process, the VarTec Companies have entered into an asset purchase agreement with Comtel Investments LLC ("Comtel Investments"). Comtel Investments, which is wholly owned by the same parties who own and control Comtel, has assigned its rights and obligations under the asset purchase agreement to Comtel as of August 1, 2005. The asset purchase agreement was executed on July 25, 2005, and was approved by the Court on July 27, 2005.

The Transaction

The VarTec Companies are operating under bankruptcy protection. Through the APA and the Court-approved auction process, Comtel will ultimately acquire substantially all of the assets of the VarTec Companies. In addition, Comtel currently intends to obtain up to approximately \$20 to \$25 million in debt financing pending consummation of the proposed transaction to fund working capital and similar needs of the VarTec Companies. Upon consummation of the proposed transaction, Comtel currently intends to replace such debt financing with a term (3 to 5 year) debt instrument. Based on Comtel's present understanding of the business, it anticipates that the term debt will be approximately \$50 million. This financing will assist with the day-to-day operations of Comtel as Comtel consummates its acquisition of the former VarTec Companies' operations, newly emerged from bankruptcy.

It is Comtel's understanding that once the proposed transaction is completed, the VarTec Companies will no longer hold authorizations to provide telecommunications services. These authorizations would be held by or assigned collectively to Comtel in order that Comtel can step into the shoes of the VarTec Companies, and the residential and commercial customers previously served by the VarTec Companies would continue to receive services without interruption. According to Comtel's initial plans for the business, the services provided and geographic areas served by Comtel will mirror those currently provided by the VarTec Companies, and any enhancements to the service offerings will be within the existing authority transferred to Comtel from the VarTec Companies. In order to minimize confusion and concern for customers, Comtel aims to make this transition seamless by operating under trade names and limiting all direct impacts to existing customers (e.g., no service changes are contemplated as part of this Application).

The applicants expect that the interconnection and other network agreements currently allowing the VarTec Companies to provide local exchange and/or interexchange services will be transferred to Comtel, as necessary, to continue the Applicants' efforts to make a smooth transition for customers. Comtel also initially plans to maintain the VarTec Companies' existing tariffs on file with the Commission. Once the transaction is prepared for closing and the Commission has granted its approval, Comtel will simply modify the corporate name on the tariffs.

Request for Approval to Transfer Assets

Comtel requests that the Commission approve the transfer of assets and simultaneously grant Comtel specific authority to operate as a provider of competitive resold interexchange and competitive facilities-based and resold local exchange and exchange access telecommunications services within Arizona. Specifically, Comtel requests that the Commission-issued CC&N be transferred from the VarTec Companies to Comtel. Comtel requests that new CC&Ns be issued if the Commission requires that new CC&Ns be issued. Comtel provided information in its application that it believes is typically required of new applicants seeking authorization to provide telecommunications services.

In addition, Comtel requests the authority to provide any and all of its services under the trade names VarTec Telecom, Clear Choice Communications, Excel Telecommunications and VarTec Solutions, in addition to the Comtel name. Comtel believes that this will maximize Comtel's available options under which it may begin its operations in the state.

Comtel will be led by a combination of its own management members and certain members of the existing management team of the VarTec Companies, who are currently expected to continue in management roles for Comtel after completion of the transaction. The five management members identified by the Applicants have a combined 80 years experience in the telecommunications industry. According to Comtel, the Federal Communications Commission has issued its approval for this transaction.

Financial Information

The Applicant provided unaudited financial statements for Comtel Telecom Assets, LP for the period July 19, 2006 through September 15, 2005. Comtel was formed in July 2005 and it has yet to begin operations. These financial statements list assets of \$43.5 million and Partner's Capital of \$43.5 million. Upon final closing, the partnership is to pay the seller \$40.5 million.

VarTec Telecom currently has a \$125,000 performance bond, Excel currently has a \$135,000 performance bond and VarTec Solutions currently has a \$10,000 license and permit bond. The Commission's current bond requirements are \$10,000 for resold long distance, \$25,000 for resold local exchange and \$100,000 for facilities-based local exchange services. Because there will be only one entity remaining at the completion of the transaction, the Applicants have requested that the Commission authorize the cancellation or relinquishment of performance bonds that exceed the Commission's current \$135,000 bond requirement for individual companies providing resold long distance, resold local exchange and facilities-based local exchange services.

Public Interest Considerations

In the application, the parties state that they believe that granting this Application would serve the public interest, convenience and necessity by enabling the seamless continuation of telecommunications services to the VarTec Companies' existing Arizona customers. They also believe that consummation of the transaction will greatly increase the financial viability of the VarTec Companies' products and services and can be expected to serve the public interest by stimulating increased competition in the telecommunications market.

Request for Waiver of Slamming Rules

The VarTec Companies provided notice via first class mail to its customers approximately March 17, 2006. The Applicants have requested a waiver from any applicable anti-slamming regulations that may be considered to have been violated by this transfer of assets being made without the specific authorization and verification of each affected customer. Comtel states that it would be impractical and burdensome to obtain the specific authorization of each customer to effect the proposed transaction and would significantly hinder the smooth transition of services. Staff has reviewed the customer notification letter that VarTec provided to its customers. Because that notice informs customers that the rates, terms and conditions of service will not change as a result of this asset transfer and informs customers that they may subscribe to the telecommunications service provider of their choice, Staff believes the Commission's Slamming and Cramming rules should be waived in this matter.

Recommendations

Staff recommends approval of the acquisition of the VarTec Companies' assets by Comtel. Staff also recommends that Comtel be granted a CC&N to provide resold and facilities based local exchange service and resold interexchange service. Staff also recommends that current VarTec Companies' customers have 90 days following the date of the Commission's order to transfer to another carrier without prejudice or regard to contractual obligation. Staff further recommends approval of Comtel's requested waiver of the Commission's Slamming and Cramming rules in this matter. Staff further recommends cancellation of the VarTec companies CC&Ns to provide telecommunications services in the State of Arizona.

Staff further recommends the following:

1. That the Applicant complies with all Commission Rules, Orders and other requirements relevant to the provision of intrastate telecommunications services;
2. That the Applicant abides by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-93-0183;
3. That the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve areas where the Applicant is the only provider of local exchange service facilities;

4. That the Applicant be required to notify the Commission immediately upon changes to the Applicant's name, address or telephone number;
5. That the Applicant cooperate with Commission investigations including, but not limited to customer complaints;
6. That the Applicant offer Caller ID with the capability to toggle between blocking and unblocking the transmission of the telephone number at no charge;
7. That the Applicant offer Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated; and
8. Staff further recommends that the Commission authorize the Applicant to discount its rates and service charges to the marginal cost of providing the services.

Staff further recommends that the Applicant be ordered to comply with the following. If it does not do so, the Applicant's CC&N shall be null and void after due process. The Applicant shall:

- a. Procure a performance bond equal to \$135,000. The minimum bond amount of \$135,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The bond amount should be increased in increments of \$67,500. This increase should occur when the total amount of the advances, deposits, and prepayments is within \$13,500 of the bond amount.
- b. Docket proof of the performance bond, as a compliance item in this docket, within 365 days of the effective date of an Order in this matter or 30 days prior to the provision of service, whichever comes first. The performance bond must remain in effect until further order of the Commission.
- c. If at some time in the future the Applicant does not collect advances, deposits and/or prepayments from its customers, Staff recommends that the Applicant be allowed to file a request for cancellation of its established performance bond regarding its resold services. Such request must reference the decision in this docket and must explain the Applicant's plans for canceling those portions of the bond.

LEGAL

S-1

MEMORANDUM

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TO: Docket Control

2006 JUN 21 P 2:37

FROM: Ernest G. Johnson
Director
Utilities Division

EA for EGJ

AZ CORP COMMISSION
DOCUMENT CONTROL

THRU: Matthew Rowell
Chief, Telecommunications and Energy Section
Utilities Division

RECEIVED

JUN 22 2006

DATE: June 23, 2006

LEGAL DIV.
ARIZ CORPORATION COMMISSION

RE: IN THE MATTER OF THE JOINT APPLICATION OF COMTEL TELCOM ASSETS LP, VARTEC TELECOM, INC., EXCEL TELECOMMUNICATIONS, INC. AND VARTEC SOLUTIONS, INC. FOR APPROVAL OF A TRANSFER OF ASSETS (DOCKET NOS. T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677 AND T-03188A-05-0677)

Attached is the Staff Report on the Joint Application of Comtel Telcom Assets LP, VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc. for approval of a transfer of assets. Staff recommends approval of the application

EGJ:WMS:red

Originator: Wilfred Shand, Jr.

Attachment: Original and Sixteen Copies

Service List for: Comtel Telecom Assets LP, VarTec Telecom, Inc., Excel Telecommunications, Inc. and VarTec Solutions, Inc.

Docket Nos. T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677 and T-03188A-05-0677

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Ms. Lyn Farmer
Chief Administrative Law Judge, Hearing Division
Arizona Corporation Commission
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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

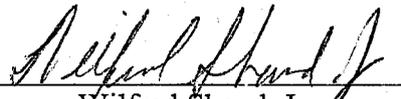
COMTEL TELCOM ASSETS LP, VARTEC TELECOM, INC., EXCEL
TELECOMMUNICATIONS, INC. AND VARTEC SOLUTIONS, INC.
DOCKET NOS. T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677
AND T-03188A-05-0677

IN THE MATTER OF THE JOINT APPLICATION OF COMTEL TELCOM ASSETS LP,
VARTEC TELECOM, INC., EXCEL TELECOMMUNICATIONS, INC. AND VARTEC
SOLUTIONS, INC. FOR APPROVAL OF A TRANSFER OF ASSETS

June 23, 2006

STAFF ACKNOWLEDGEMENT

The Staff Report for the Joint Application of Comtel Telcom Assets LP, Vartec Telecom, Inc., Excel Telecommunications, Inc. and Vartec Solutions, Inc. For Approval of a Transfer of Assets (Docket Nos.T-20423A-05-0677, T-03401A-05-0677, T-02584A-05-0677 and T-03188A-05-0677), was the responsibility of the staff member listed below. Wilfred Shand, Jr. was responsible for the review and analysis of the application.



Wilfred Shand, Jr.
Public Utilities Analyst Manager

Introduction

On September 23, 2005, Comtel Telecom Assets LP ("Comtel") and VarTec Telecom, Inc., Excel Telecommunications, Inc., and VarTec Solutions, Inc. ("VarTec", "Excel" and "VarTec Solutions", respectively and the "VarTec Companies", collectively) submitted an application for Arizona Corporation Commission ("Commission") approval of the acquisition of certain of the VarTec Companies' assets by Comtel. The Applicants filed a Supplement to the application. The purpose of the Supplement is to provide additional information to support Comtel's application for a Certificate of Convenience and Necessity ("CC&N"). In addition the supplement is intended to clarify that applicants have no assets in Arizona and that this transaction is essentially a transfer of customers from the VarTec companies to Comtel.

The Parties

Comtel is a limited partnership organized under the laws of the State of Texas. Comtel is a newly formed limited partnership whose principal business will be telecommunications. Its general partner, Comtel Assets Inc. ("Comtel Inc.") owns 1 percent of the equity of Comtel. Comtel's limited partner, Comtel Assets Corp. ("Comtel Corp."), owns 99 percent of the equity of Comtel.

VarTec and Excel are corporations organized under the laws of the State of Texas. VarTec Solutions, which formerly operated under the corporate names, eMeritus Communications, Inc., Teleglobe Business Solutions, Inc. and Telco Holdings, Inc. d/b/a Dial & Save, is a Delaware corporation.

The VarTec Companies are privately-held corporations. VarTec Telecom Holding Company ("VarTec Holding"), a wholly-owned subsidiary of VarTec, holds 100 percent of the stock of Excelcom, Inc. ("Excelcom") and Telco Communications Group, Inc. ("Telco"). Excelcom is the direct and sole shareholder of Excel, and Telco is the direct and sole shareholder of VarTec Solutions. VarTec Holding and Excelcom are Delaware corporations, and Telco is organized in Virginia.

VarTec and Excel are certificated to provide competitive local exchange and interexchange services in Arizona. Specifically, VarTec was authorized by the Commission to provide competitive intraLATA and interLATA resold telecommunications services in Decision No. 62238 and was authorized to provide competitive facilities-based and resold local exchange and exchange access telecommunications services in Decision No. 65203. Excel was granted the authority to provide resold interexchange telecommunications services and competitive facilities-based and resold local exchange services in Decision No. 65470. VarTec Solutions was also authorized by the Commission to provide competitive resold interexchange telecommunications services in Decision No. 66640 under its former corporate name, eMeritus Communications, Inc.

The VarTec Companies voluntarily filed for Chapter 11 bankruptcy on November 1, 2004. As part of the bankruptcy process, the VarTec Companies have entered into an asset purchase agreement with Comtel Investments LLC ("Comtel Investments"). Comtel Investments, which is wholly owned by the same parties who own and control Comtel, has assigned its rights and obligations under the asset purchase agreement to Comtel as of August 1, 2005. The asset purchase agreement was executed on July 25, 2005, and was approved by the Court on July 27, 2005.

The Transaction

The VarTec Companies are operating under bankruptcy protection. Through the APA and the Court-approved auction process, Comtel will ultimately acquire substantially all of the assets of the VarTec Companies. In addition, Comtel currently intends to obtain up to approximately \$20 to \$25 million in debt financing pending consummation of the proposed transaction to fund working capital and similar needs of the VarTec Companies. Upon consummation of the proposed transaction, Comtel currently intends to replace such debt financing with a term (3 to 5 year) debt instrument. Based on Comtel's present understanding of the business, it anticipates that the term debt will be approximately \$50 million. This financing will assist with the day-to-day operations of Comtel as Comtel consummates its acquisition of the former VarTec Companies' operations, newly emerged from bankruptcy.

It is Comtel's understanding that once the proposed transaction is completed, the VarTec Companies will no longer hold authorizations to provide telecommunications services. These authorizations would be held by or assigned collectively to Comtel in order that Comtel can step into the shoes of the VarTec Companies, and the residential and commercial customers previously served by the VarTec Companies would continue to receive services without interruption. According to Comtel's initial plans for the business, the services provided and geographic areas served by Comtel will mirror those currently provided by the VarTec Companies, and any enhancements to the service offerings will be within the existing authority transferred to Comtel from the VarTec Companies. In order to minimize confusion and concern for customers, Comtel aims to make this transition seamless by operating under trade names and limiting all direct impacts to existing customers (e.g., no service changes are contemplated as part of this Application).

The applicants expect that the interconnection and other network agreements currently allowing the VarTec Companies to provide local exchange and/or interexchange services will be transferred to Comtel, as necessary, to continue the Applicants' efforts to make a smooth transition for customers. Comtel also initially plans to maintain the VarTec Companies' existing tariffs on file with the Commission. Once the transaction is prepared for closing and the Commission has granted its approval, Comtel will simply modify the corporate name on the tariffs.

Request for Approval to Transfer Assets

Comtel requests that the Commission approve the transfer of assets and simultaneously grant Comtel specific authority to operate as a provider of competitive resold interexchange and competitive facilities-based and resold local exchange and exchange access telecommunications services within Arizona. Specifically, Comtel requests that the Commission-issued CC&N be transferred from the VarTec Companies to Comtel. Comtel requests that new CC&Ns be issued if the Commission requires that new CC&Ns be issued. Comtel provided information in its application that it believes is typically required of new applicants seeking authorization to provide telecommunications services.

In addition, Comtel requests the authority to provide any and all of its services under the trade names VarTec Telecom, Clear Choice Communications, Excel Telecommunications and VarTec Solutions, in addition to the Comtel name. Comtel believes that this will maximize Comtel's available options under which it may begin its operations in the state.

Comtel will be led by a combination of its own management members and certain members of the existing management team of the VarTec Companies, who are currently expected to continue in management roles for Comtel after completion of the transaction. The five management members identified by the Applicants have a combined 80 years experience in the telecommunications industry. According to Comtel, the Federal Communications Commission has issued its approval for this transaction.

Financial Information

The Applicant provided unaudited financial statements for Comtel Telecom Assets, LP for the period July 19, 2006 through September 15, 2005. Comtel was formed in July 2005 and it has yet to begin operations. These financial statements list assets of \$43.5 million and Partner's Capital of \$43.5 million. Upon final closing, the partnership is to pay the seller \$40.5 million.

VarTec Telecom currently has a \$125,000 performance bond, Excel currently has a \$135,000 performance bond and VarTec Solutions currently has a \$10,000 license and permit bond. The Commission's current bond requirements are \$10,000 for resold long distance, \$25,000 for resold local exchange and \$100,000 for facilities-based local exchange services. Because there will be only one entity remaining at the completion of the transaction, the Applicants have requested that the Commission authorize the cancellation or relinquishment of performance bonds that exceed the Commission's current \$135,000 bond requirement for individual companies providing resold long distance, resold local exchange and facilities-based local exchange services.

Public Interest Considerations

In the application, the parties state that they believe that granting this Application would serve the public interest, convenience and necessity by enabling the seamless continuation of telecommunications services to the VarTec Companies' existing Arizona customers. They also believe that consummation of the transaction will greatly increase the financial viability of the VarTec Companies' products and services and can be expected to serve the public interest by stimulating increased competition in the telecommunications market.

Request for Waiver of Slamming Rules

The VarTec Companies provided notice via first class mail to its customers approximately March 17, 2006. The Applicants have requested a waiver from any applicable anti-slamming regulations that may be considered to have been violated by this transfer of assets being made without the specific authorization and verification of each affected customer. Comtel states that it would be impractical and burdensome to obtain the specific authorization of each customer to effect the proposed transaction and would significantly hinder the smooth transition of services. Staff has reviewed the customer notification letter that VarTec provided to its customers. Because that notice informs customers that the rates, terms and conditions of service will not change as a result of this asset transfer and informs customers that they may subscribe to the telecommunications service provider of their choice, Staff believes the Commission's Slamming and Cramming rules should be waived in this matter.

Recommendations

Staff recommends approval of the acquisition of the VarTec Companies' assets by Comtel. Staff also recommends that Comtel be granted a CC&N to provide resold and facilities based local exchange service and resold interexchange service. Staff also recommends that current VarTec Companies' customers have 90 days following the date of the Commission's order to transfer to another carrier without prejudice or regard to contractual obligation. Staff further recommends approval of Comtel's requested waiver of the Commission's Slamming and Cramming rules in this matter. Staff further recommends cancellation of the VarTec companies CC&Ns to provide telecommunications services in the State of Arizona.

Staff further recommends the following:

1. That the Applicant complies with all Commission Rules, Orders and other requirements relevant to the provision of intrastate telecommunications services;
2. That the Applicant abides by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-93-0183;
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