ORIGINAL

NEW APPLICATION

0000076276

BEFORE THE ARIZONA CORPORATION

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2007 SEP 13 P 2: 46

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JEFF HATCH–MILLER
KRISTIN K. MAYES
GARY PIERCE

IN THE MATTER OF THE JOINT APPLICATION OF MATRIX TELECOM, INC., AMERICATEL CORPORATION, AND STARTEC GLOBAL OPERATING COMPANY FOR APPROVAL TO PLEDGE THEIR ARIZONA ASSETS PURSUANT TO A.R.S. § 40-285

T-03228A-07-0526
T-03517A-07-0526
T-20522A-07-0526

APPLICATION

(Expedited Approval Requested)

Matrix Telecom, Inc. ("Matrix"), Americatel Corporation ("Americatel"), and Startec Global Operating Company ("Startec") (collectively, "Applicants"), by their attorneys, hereby respectfully request that the Arizona Corporate Commission ("Commission") grant ***expedited*** approval under A.R.S. § 40-285, to the extent it may be necessary, as well as any other applicable statutes or rules, to pledge their Arizona assets in connection with certain debt financing arrangements, pursuant to a Commitment Letter and Term Sheet (together, "Loan Documents") dated September 6, 2007, among Applicants, MTAC Holding corporation ("MTAC," the immediate parent of Matrix and Americatel), Matrix Telecom of Virginia, Inc., Trinsic Communications of Virginia, Inc., Startec Global Communications Corporation ("SGCC," the immediate parent of Startec), Startec Global Canadian Holding Company ("Canada Holdco"), EnergyTRACS Acquisition Corp. ("EnergyTRACS"), and HBK Investments L.P. and/or one of its affiliates (including PCRL III Investments L.P.) ("HBK" or "Lender," the Administrative Agent and Lender).

Under the Loan Documents, Applicants will refinance a certain existing credit agreement described more fully below with an amended and restated credit agreement anticipated by the Loan Documents ("A&R Credit Agreement") payable at a period more than twelve months after

the date thereof. The amended and restated credit facility will keep in place the existing obligations of Matrix and Americatel under its current credit agreement and provide additional term loans to permit Startec and certain of its affiliates to refinance their current obligations under their existing term loan. Collectively, the total loans under the A&R Credit Agreement will equal in total dollars the Applicants' current existing credit facilities, but Applicants will all become jointly and severally liable co-borrowers under the amended and restated arrangement—the effectiveness of which will be conditioned upon, among other things, receipt all of the necessary regulatory approvals. Applicants (and certain of their affiliates) will pledge their assets as collateral for the debt. Additionally, the parents of the Applicants will pledge the stock of the Applicants to secure their and their subsidiaries obligations in connection with the A&R Credit Agreement and related Loan Documents. MTAC and all of MTAC's present and future indirect and direct subsidiaries that are not borrowers under the Loan Documents, and SGCC and all of SGCC's present and future indirect and direct subsidiaries that are not borrowers under the Loan Documents, will guarantee the debt. In addition, Startec will implement a minor internal corporate reorganization required by the Loan Documents and resulting in a *pro forma* transfer of control of Startec. To the extent that any of these actions may require approval pursuant to A.R.S. § 40-285 or any other Arizona statute, Applicants seek such approval.

I. OVERVIEW.

A. Requested Approvals.

Under Arizona law, a public service corporation may not "sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its" plant or system without Commission approval. A.R.S. § 40-285(A). Because the Applicants will pledge all of their assets under the Loan Documents, the Applicants request that the Commission issue an order authorizing the pledge of assets.

The Applicants will be parties to or bound by the Loan Documents as described herein. The Applicants are each a "foreign public service corporation" whose "physical facilities are also

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used in provided communications service in interstate commerce" Therefore, Commission approval to issue new debt is not needed. See A.R.S. § 40-301(D).

Under the Loan Documents, Platinum Equity will remain the ultimate parent company of the Applicants. However, the Transaction does involve a *pro forma* internal corporate reorganization, as shown on Exhibit A. This reorganization does not require Commission approval because the Applicants are not Class A Utilities and, therefore, the Public Utility Holding Companies and Affiliated Interests rules, A.A.C. § 14-2-801 *et seq*. do not apply. In addition, an application is not required for the *pro forma* transfer of control because none of the Applicants is a Class A Utility and no assets are being transferred as a result of the transfer of control.

B. Proposed Transaction.

Matrix and Americatel, on the one hand, and Startec, on the other, are currently borrowers under separate credit agreements with the Lender. First, Matrix and Americatel are parties to a Credit Agreement dated September 14, 2006 among Matrix, Americatel, EnergyTRACS (as parent), and PCRL III Investments L.P. (as Lender and Administrative Agent) ("Matrix and Americatel Credit Agreement").[1] Pursuant to this Credit Agreement, Matrix and Americatel act as jointly and severally liable co-borrowers for debt obligations of up to $90 million—consisting of a $40 million term loan and up to $50 million in revolving credit. Under the terms of the agreement, Matrix and Americatel have pledged all of their assets as collateral for this indebtedness (other than certain operating authorities) and have had their stock pledged as further collateral.

Second, Startec is a jointly and severally liable co-borrower with its immediate parent, SGCC, and its affiliate, Canada Holdco, under a different Credit Agreement (the "Startec Credit Agreement") dated July 12, 2007 among SGCC, Soap Merger Corporation, Canada Holdco, Startec, and HBK Investments L.P. and/or one of its affiliates (including PCRL III Investments L.P.) ("HBK" or "Lender," the Administrative Agent and Lender). The Startec Credit Agreement

[1] The obligations of EnergyTRACS under the Matrix and Americatel Credit Agreement have been assumed by MTAC.

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provides for debt obligations of up to $43 million—consisting of a $40 million term loan and up to a $3 million delayed draw term loan. Startec's ultimate parent, Platinum Equity guarantees the debt. The Startec Credit Agreement is limited to a maximum term of 270 days from July 12, 2007, and will therefore mature on April 8, 2008.

Pursuant to the Loan Documents, the A&R Credit Agreement is structured as follows: The obligations of Matrix and Americatel under the Matrix and Americatel Credit Agreement will continue under the A&R Credit Agreement, and Startec will be joined to the A&R Credit Agreement. The existing obligations under the Startec Credit Agreement will be refinanced with a portion of the proceeds of the new loans under the amended credit facility. Applicants will act as jointly and severally liable co-borrowers for debt obligations equal to the current obligations and up to $120 million, consisting of a $71.5 million term loan and up to $48.5 million in revolving credit.

In preparation for the new financing arrangement, and as required by the Lender, the Applicants will engage in a minor corporate reorganization, resulting in a *pro forma* change of control of Startec. Specifically, Startec's immediate parent company, SGCC, will become a direct subsidiary of Americatel, and all of SGCC's current subsidiaries, including Startec, will become indirect subsidiaries of Americatel. This reorganization is depicted in the organizational charts contained in Exhibit A. Ultimate control of Startec by Platinum Equity, LLC ("Platinum Equity") will not change as a result of this minor corporate reorganization.

In support of this Application, Applicants provide the following information:

II. THE COMPANIES.

A. Matrix.

Matrix is a Texas corporation with principal offices located at 7171 Forest Lane, Suite 700, Dallas, Texas 75230, tel. (214) 432-1447. Established in 1991, Matrix is a competitive provider of integrated communications services including local, 1+ long distance and toll-free voice services plus a wide range of data services, such as dedicated Internet access, frame relay and point-to-point transmission services, chiefly to enterprise customers. Matrix is authorized to

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provide service in all 50 states and the District of Columbia. Matrix holds Commission-issued authority to provide resold local exchange and resold interexchange services in Arizona.[2] Matrix is also authorized to provide facilities-based and/or resold interexchange and/or competitive local exchange telecommunications services across the nation.

B. Americatel.

Americatel is a Delaware corporation with principal offices located at 4045 NW 97th Avenue, Miami, Florida 33178, tel. (305) 717-0200. Serving the needs of United States customers with connections to Latin America and the Caribbean, Americatel provides international and domestic facilities-based and resold long distance services, including "dial around" casual calling (*i.e.*, 1010XXX) service and presubscribed 1+ calling services, in each of the 48 contiguous states. In Arizona, Americatel is authorized to provide competitive interLATA and intraLATA resold telecommunications service except local exchange service in Decision No. 61054 (August 6, 1998).[3]

C. Startec

Startec is a Delaware corporation with its principal place of business located at 7361 Calhoun Place, Suite 650, Rockville, Maryland 20855, tel. (301) 610-4300. Startec is a wholly owned direct subsidiary of SGCC, also a Delaware corporation. Startec provides long distance, Internet, and other communications services to persons and businesses residing in 49 states (all except Alaska) and the District of Columbia, as well as Canada. In Arizona, Startec is authorized to provide resold interexchange telecommunications services pursuant to a Certificate of Convenience and Necessity ("Certificate") granted in Decision No. 63370 in Docket No. T-03794-

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[2] *See Order Granting Application of Matrix Telecom, Inc. for a Certificate of Public Convenience and Necessity to Provide Competitive Resold Local Exchange Services and for Competitive Classification of its Services,* Docket No. T-0322BA-05-0244, Decision No. 68343 (Dec. 9, 2005); *Order Granting Application of Matrix Telecom, Inc. for a Certificate of Public Convenience and Necessity to Provide Competitive Resold Interexchange Telecommunications Services, Except Local Exchange Services*, Docket No. T-03338A-96-0392, Decision No. 65926 (May 16, 2003). Matrix has an application pending before the Commission for full, facilities-based authority in Docket No. T-03228A-06-0800. A Staff Report recommending approval with the application with standard conditions was filed on September 5, 2007.

[3] Americatel does business as 10123 Americatel and 1010123 Americatel in Arizona, according to Decision No. 61054.

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A-99-0592.[4] Applicant provides its services primarily to customers who place a significant number of calls to international destinations.

D. Ownership of the Applicants

Platinum Equity, a limited liability company formed under the laws of Delaware and headquartered in Beverly Hills, California, has indirectly held 100 percent of the equity of Matrix since 1999, and 95 percent of the equity of Americatel since July 2006. Platinum Equity is a global firm specializing in the merger, acquisition and operation of companies that provide services and solutions to customers in a broad range of business markets, including information technology, telecommunications, and logistics, manufacturing, and entertainment distribution. Since its founding in 1995, Platinum Equity has acquired more than 60 businesses with more than $12 billion in aggregate revenue at the time of acquisition. Platinum Equity currently holds its interests in Matrix and Americatel through its wholly-owned subsidiary, MTAC.

Platinum Equity acquired indirect control of Startec on July 12, 2007, when it acquired indirect ownership of 100 percent of the equity in Startec. Platinum Equity holds this interest through two wholly owned holding subsidiaries, EnergyTRACS, a Delaware corporation, and SGCC, which is a direct subsidiary of EnergyTRACS.

III. DESIGNATED CONTACTS.

Inquiries or copies of any correspondence, orders, or other materials pertaining to this Petition should be directed to:

Michael W. Patten
Timothy J. Sabo
Roshka DeWulf & Patten, PLC
400 East Van Buren, Suite 800
Phoenix, Arizona
(602) 256-6100
(602) 256-6800 (fax)
mpatten@rdp-law.com
tsabo@rdp-law.com

[4] The Certificate was granted to Startec Global Licensing Company, a former sister company of Startec. Through a *pro forma* restructuring approved by the Commission, Startec became the holder of the Certificate, See Docket No. T-20522A-07-0161, Decision No. 69573 (May 21, 2007).

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Copies of any correspondence should also be sent to the following designated representatives of Matrix, Americatel, and Startec respectively:

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Vice President of Regulatory Affairs and General Counsel
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7171 Forest Lane, Suite 700
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and

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Startec Global Operating Company
7361 Calhoun Place, Suite 650
Rockville, MD 20855
(301) 610-4646 (Tel)
(240) 314-4219 (Fax)
Robert.Felgar@startec.com

IV. DESCRIPTION OF THE TRANSACTION.

Applicants seek authority to pledge their Arizona assets in connection with the amendment, restatement and refinancing of certain existing debt financing arrangements with an amended and restated credit facility and new loans payable at a term of more than one year and

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equal in total dollar debt to the existing credit facilities. Applicants will all be jointly and severally co-borrowers and the credit facility will be guaranteed by certain subsidiaries and parents, as described below.

In support of these requests, Applicants state as follows:

A. Issuance of Debt

Pursuant to the A&R Credit Agreement, the Applicants will amend, restate, and refinance certain existing debt obligations with a new credit facility equal in total dollars to the existing arrangements. As described above, Matrix and Americatel, on the one hand, and Startec, on the other, are each currently parties to a separate credit agreement with the Lender.

First, under the Matrix and Americatel Credit Agreement, Matrix and Americatel are jointly and severally liable co-borrowers for debt obligations of up to $90 million—consisting of a $40 million term loan and up to $50 million in revolving credit. Under the terms of that agreement, Matrix and Americatel have pledged all of their assets as collateral for this indebtedness (other than certain operating authorities) and have had their stock pledged as further collateral.

Second, under the Startec Credit Agreement, Startec is a jointly and severally liable co-borrower with its immediate parent, SGCC, and its affiliate, Canada Holdco for debt obligations of up to $43 million—consisting of a $40 million term loan and up to a $3 million delayed draw term loan. Startec's ultimate parent, Platinum Equity guarantees this debt. The Startec Credit Agreement is limited to a maximum term of 270 days from July 12, 2007, and will therefore mature on April 8, 2008.

Under the Loan Documents and the A&R Credit Agreement, which will be implemented upon receipt of all necessary regulatory approvals, Applicants will become jointly and severally liable co-borrowers for debt obligations of up to $120 million, consisting of a $71.5 million term loan and a $48.5 million revolving credit facility. The obligations of Matrix and Americatel under the Matrix and Americatel Credit Agreement will continue under the A&R Credit Agreement, and Startec will join the A&R Credit Agreement. The existing obligations under the Startec Credit

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Agreement will be refinanced with the proceeds of a portion the new credit facility. No prepayment premiums under the Matrix and Americatel Credit Agreement or the Startec Credit Agreement will be charged in connection with the execution of the A&R Credit Agreement. Applicants (and certain of their affiliates) will pledge their assets as collateral for the debt. Additionally, the parents of the Applicants will pledge the stock of the Applicants to secure their and their subsidiaries obligations in connection with the A&R Credit Agreement and related Loan Documents. This debt also will be guaranteed by MTAC and all of MTAC's present and future indirect and direct subsidiaries that are not borrowers pursuant to the Loan Documents and SGCC and all of SGCC's present and future indirect and direct subsidiaries that are not borrowers pursuant to the Loan Documents, all of which are affiliates of Applicants. This structure will remain in place through the maturity date of the Loan Agreement, which is 5 years from the date of closing.

If the necessary regulatory approvals have not been secured by April 8, 2008, the current Startec Credit Agreement will mature and Startec will be required to repay the full amount of that current financing.

The terms of each Financing is expected to be substantially as follows:

Funding Providers: HBK and/or one of its affiliates (including PCRL III Investments L.P.) and/or such other lenders designated by HBK.

Amount: $120 million. This consists of a $71.5 million term loan and up to a $48.5 million revolving credit facility.

Maturity: Five years from the date of closing, which the parties anticipate will be no later than April 8, 2008—the date of maturity of the existing Startec Credit Agreement.

Interest: The interest rate in the arrangement will be in line with market conditions and the terms of the arrangements are equivalent to those offered for other, similarly-situated borrowers.

Security: Like the existing debt under the Matrix and Americatel Credit Agreement, this debt will be guaranteed by MTAC and all of MTAC's present and future indirect and direct

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subsidiaries that are not borrowers pursuant to the Loan Documents. Also, SGCC and all of SGCC's present and future indirect and direct subsidiaries that are not borrowers pursuant to the Loan Documents, all of which are affiliates of Applicants, will also guarantee this debt. In addition, Applicants will pledge their assets as collateral for the debt, and the parents of the Applicants will pledge the stock of the Applicants to secure their and their subsidiaries obligations in connection with the A&R Credit Agreement and related Loan Documents.

***Use of Proceeds*:** Any exiting loans outstanding under the Matrix and Americatel Credit Agreement will remain outstanding under the A&R Credit Agreement. Any additional advances and term loans will be used to (i) refinance the obligations owing under the Startec Credit Agreements, (ii) fund certain fees and expenses associated with the new credit facility, and (iii) finance the ongoing working capital, capital expenditures, and general corporate needs of Applicants.

B. Corporate Reorganization

In preparation for the implementation of the Loan Documents, described above, SGCC will become a direct subsidiary of Americatel and SGCC's current subsidiaries, including Startec, will become indirect subsidiaries of Americatel. This minor corporate reorganization, which is required by the Loan Documents, will minimize the effect of the debt on other unregulated subsidiaries of EnergyTRACS. Ultimate control of Startec will not change and will remain with Platinum Equity.

V. PUBLIC INTEREST ANALYSIS.

Approving the proposed transfer will serve the public interest in accordance with A.R.S. 40-285 by enabling Applicants to better utilize their available funds, to introduce new services, expand into new markets and to allow more consumers to benefit from competitive services more quickly and efficiently. Further, approving these financing arrangements will actively serve the public interest in promoting competition among telecommunications carriers because Applicants will have the opportunity to strengthen their competitive position through access to greater

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financial resources. Applicants will have a greater ability to bring high-quality competitive telecommunications services to consumers in Arizona.

The terms and conditions of the Loan Documents as described are advantageous to Applicants, because Applicants' combined financial resources and negotiating strength allowed them to obtain more advantageous financial terms than any would have been able to obtain independently, and the Loan Agreement is the result of extensive negotiations in a highly-competitive financing market.

Matrix, Americatel, and Startec all compete in Arizona and other markets with numerous other interexchange carriers and enhanced service providers as well as the incumbent local exchange carrier and other competitive local exchange carriers. Applicants are non-dominant carriers, and are not subject to rate of return regulation. In addition, because of the highly competitive environment in which all of the companies operate, the rates charged to customers are subject to market discipline and the services offered generally are available from numerous other carriers. As a result, the source of funds and capital structure of Matrix, Americatel, and Startec would have little effect on customers in Arizona or elsewhere. In the unlikely event that the capital structure for any of the companies becomes too costly and rates rise, customers may simply migrate to other carriers with preferred rates. Thus, any adverse consequences from the financing decisions impact shareholders, not customers, and any favorable consequences benefit both its shareholders and consumers through higher profits, lower rates, and better services.

Moreover, because the public interest is best served by assuring the presence of numerous telecommunications competitors in Arizona, it is important to provide such competitors with the flexibility to arrange financing in the manner they deem most appropriate to carry on business so long as there is no adverse impact on the public. To deny such flexibility would discourage new competitors from entering the state and would encourage existing competitors in the state to seek a more favorable regulatory environment elsewhere, neither of which would enhance the public interest. Given the challenges facing competitive telecommunications carriers, the availability of funds to Applicants in this manner would benefit consumers in Arizona.

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Finally, these financing arrangements will be transparent to consumers and consumers will benefit from the continued receipt of quality telecommunications services that are priced competitively. The proposed financing arrangements will not change Applicants' ownership, management or day-to-day operations in Arizona. Matrix, Americatel, and Startec will all continue to provide competitive resold telecommunications services to their customers in Arizona, and the financings will not require any changes in rates, terms, conditions of service as a result of the proposed transaction. Platinum Equity will maintain ultimate control over Applicants.

V. CONCLUSION.

For the reasons stated above, Applicants respectfully submit that the public interest, convenience and necessity would be furthered by granting this Application. Accordingly, Applicants respectfully request that the Commission grant ***expedited*** approval, to the extent necessary, to pledge the Applicant's Arizona assets for the issuance of debt, in connection with their participation in those financing arrangements described herein and further relief as the Commission may deem appropriate.

RESPECTFULLY SUBMITTED THIS 13th day of September, 2007.

ROSHKA DEWULF & PATTEN, PLC/

By _____

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Original and 17 copies of the foregoing filed this 13th day of September 2007 with:

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Copy of the foregoing hand-delivered/mailed this 13th day of September 2007 to:

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By Mary Ippolito

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VERIFICATION

STATE OF FLORIDA §
§
COUNTY OF DADE §

I, Victor A. Lago, state that I am Vice President & General Counsel of Americatel Corporation ; that I am authorized to make this Verification on behalf of Americatel Corporation; and that the statements in the foregoing document are true and correct to the best of my knowledge, information and belief.

Name: Victor A. Lago
Title: Vice President & General Counsel
Americatel Corporation

SWORN TO AND SUBSCRIBED before me on the 7th day of September, 2007.

Monica Martinez
Notary Public

My Commission expires: March 22, 2009

MONICA MARTINEZ
Notary Public - State of Florida
My Commission Expires Mar 22, 2009
Commission # DD 410190
Bonded By National Notary Assn.

VERIFICATION

STATE OF TEXAS §
§
COUNTY OF DALLAS §

I, Scott Klopack, state that I am Vice President of Regulatory Affairs and General Counsel of Matrix Telecom, Inc.; that I am authorized to make this Verification on behalf of Matrix Telecom, Inc.; and that the statements in the foregoing document are true and correct to the best of my knowledge, information and belief.

Name: Scott Klopack
Title: Vice President of Regulatory Affairs
and General Counsel
Matrix Telecom, Inc.

SWORN TO AND SUBSCRIBED before me on the _____ day of September, 2007.

APRIL R. WOODS
Notary Public, State of Texas
My Commission Expires
April 07, 2010

Notary Public

My Commission expires: April 7th 2010

VERIFICATION

STATE OF MARYLAND §
§
COUNTY OF MONTGOMERY §

I, Robert Felgar, state that I am General Counsel of Startec Global Operating Company; that I am authorized to make this Verification on behalf of Startec Global Operating Company; and that the statements in the foregoing document are true and correct to the best of my knowledge, information and belief.

Robert Felgar

Name: Robert Felgar
Title: General Counsel
Startec Global Operating Company

SWORN TO AND SUBSCRIBED before me on the 10th day of September, 2007.

Shindana F. Jackson

Notary Public

My Commission expires: _____

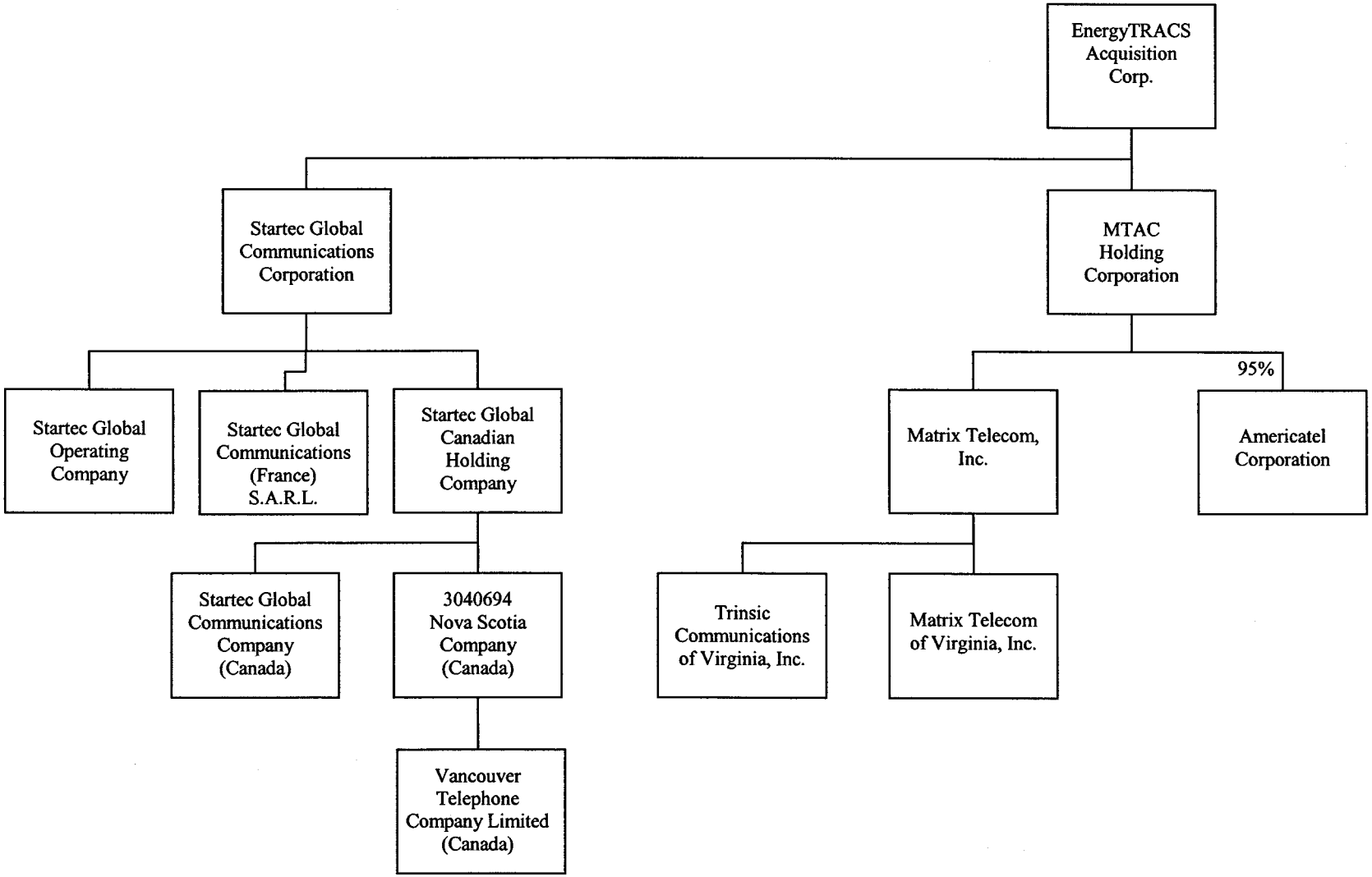
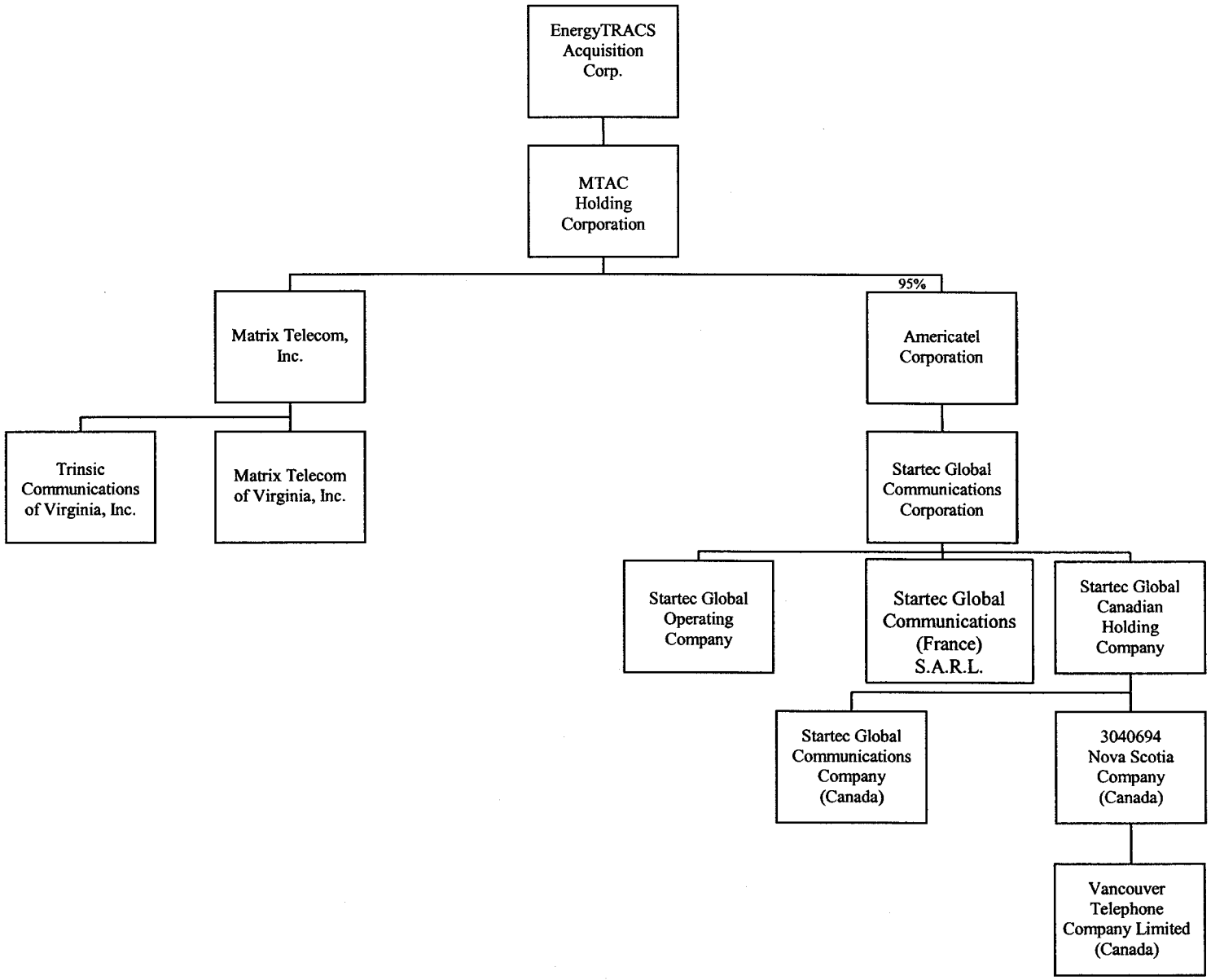
SHINDANA F. JACKSON
Notary Public
Prince George's County
Maryland
My Commission Expires Oct 18, 2009

EXHIBIT

"A"

EXHIBIT A

Pre-Transaction Corporation Structure of Startec



Post-Transaction Corporate Structure of Startec