

ORIGINAL OPEN MEETING
MEMORANDUM



TO: THE COMMISSION

FROM: Utilities Division

DATE: October 5, 2007

RE: **REVISED** - IN THE MATTER OF THE APPLICATION OF TRINSIC COMMUNICATIONS, INC., TOUCH 1 COMMUNICATIONS, INC., AND MATRIX TELECOM, INC. FOR APPROVAL OF A JOINT APPLICATION OF A TRANSFER OF ASSETS (DOCKET NOS. T-03589A-07-0231, T-03088A-07-0231 AND T-03228A-07-0231)

Attached is the **Revised** Staff Report on the application of Trinsic Communications, Inc. ("Trinsic" formerly known as "Z-Tel Communications, Inc.") and Touch 1 Communications, Inc. ("Touch 1"), (collectively, "Trinsic"), and Matrix Telecom, Inc. ("Matrix") for approval of a Joint Application for a transfer of assets. Staff recommends approval of Matrix's request to transfer control of assets from Trinsic to Matrix.

for Ernest G. Johnson
Director
Utilities Division

EGJ:WMS:lhmkT

Originator: Wilfred Shand, Jr.

Arizona Corporation Commission
DOCKETED

OCT 05 2007

DOCKETED BY	<i>MM</i>
-------------	-----------

RECEIVED
2007 OCT -5 P 3:38
AZ CORP COMMISSION
DOCKET CONTROL

REVISED
STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

**TRINSIC COMMUNICATIONS, INC., TOUCH 1 COMMUNICATIONS, INC.,
AND MATRIX TELECOM, INC.**

**DOCKET NOS. T-03589A-07-0231,
T-03088A-07-0231 AND T-03228A-07-0231**

**IN THE MATTER OF THE APPLICATION OF TRINSIC COMMUNICATIONS, INC.,
TOUCH 1 COMMUNICATIONS, INC., AND MATRIX TELECOM, INC. FOR APPROVAL
OF A JOINT APPLICATION OF A TRANSFER OF ASSETS**

October 5, 2007

STAFF ACKNOWLEDGEMENT

The Staff Report for Trinsic Communications, Inc., Touch 1 Communications, Inc., and Matrix Telecom, Inc., Docket Nos. T-03589A-07-0231, T-03088A-07-0231 and T-03228A-07-0231, was the responsibility of the staff member listed below. Wilfred Shand, Jr. was responsible for the review and analysis of the application of Trinsic Communications, Inc., Touch 1 Communications, Inc., and Matrix Telecom, Inc. for approval of a Joint Application for a transfer of assets.



Wilfred Shand, Jr.
Public Utility Analyst Manager

TABLE OF CONTENTS

Introduction	1
Background.....	1
Transfer of Assets.....	1
Recommendations	2

Introduction

On April 9, 2007, Trinsic Communications, Inc. ("Trinsic" formerly known as "Z-Tel Communications, Inc."), Touch 1 Communications, Inc. ("Touch 1"), and any successor in interest of either, including a Chapter 7 bankruptcy trustee (collectively, "Trinsic"), and Matrix Telecom, Inc. ("Matrix") (and, together with Trinsic, the "Applicants"), filed a Joint Application seeking *expedited* Commission approval, to the extent necessary, to transfer control of assets used to provide local and long distance telecommunications services from Trinsic to Matrix. The Applicants have also requested that the Commission grant a waiver of the Commission's regulations governing the changes to a customer's telecommunications provider, Arizona Administrative Code Sections R14-2-1904, R14-2-1905, R14-2-1906, to the extent those rules are inconsistent with Federal Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base, 47 C.F.R.3 64.1 120(e).

Background

The Commission granted Trinsic the authority to provide, resold interexchange service in Decision No. 61540, dated February 19, 1999, and to provide resold and facilities-based local exchange service in Decision No. 62896, dated September 18, 2000. The Commission granted Touch 1 the authority to provide resold interexchange service in Decision No. 61659, dated April 21, 1999.

The Commission granted Matrix the authority to provide resold interexchange service in Decision No. 65926, dated May 16, 2003 and to provide resold local exchange service in Decision No. 68343, dated December 9, 2005. Matrix has an application pending before the Commission for full, facilities-based local exchange services in Docket No. T-03228A-06-0800.

Transfer of Assets

On March 21, 2007, Trinsic and Tide Acquisition Corporation ("Tide") entered into an Asset Purchase Agreement, (the "APA") under which Tide would acquire the assets of Trinsic used to provide telecommunications services, as well as Trinsic's customer accounts across the nation, including in Arizona. Tide subsequently assigned its rights under the APA to Matrix.

Trinsic and Matrix have requested that the Commission approve the proposed sale before June 4, 2007. The Applicants state that approval before this date is required under the terms of the Asset Purchase Agreement and, because Trinsic has filed for bankruptcy, approval is necessary to ensure the continuation of service to Trinsic's customers. The Applicants have also requested that the Commission grant a waiver of the Commission's regulations governing the changes to a customer's telecommunications provider, Arizona Administrative Code Sections R14-2-1904, R14-2-1905, R14-2-1906, to the extent those rules are inconsistent with Federal Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base, 47 C.F.R.3 64.1 120(e). The Applicants have stated that they will comply with the FCC's notice and certification requirements applicable to transfers of carrier customer bases. Matrix has also

stated that it will comply with any notice requirements contained in Trinsic's contracts with its customers.

The Applicants anticipate that this sale will be seamless and transparent to Trinsic's customers. Under the terms of the APA, Matrix will acquire Trinsic's entire local and long distance customer base, together with its rights and responsibilities under contracts necessary to operate Trinsic's business, Trinsic's real and personal property, equipment, fixtures, intellectual property, trademarks, and most other Trinsic assets. Thus, the Applicants assert that the proposed sale of Trinsic's assets to Matrix will cause no interruption in service to customers, that no existing service will be discontinued, reduced, or impaired as a result of the sale of these assets and that this transaction will not affect rates for, or terms or conditions of, any service being provided by Trinsic to customers in Arizona. Matrix will continue to provide service to these customers using the Trinsic names, possibly on a co-branded basis.

Staff has reviewed the customer notification letter that Matrix provided to all GC Small Business Customers. Because that notice was provided in a timely manner, 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.

Per information received from the Corporations Section of the Arizona Corporation Commission, all three companies are in good standing. In researching the Consumer Services database for complaints for Trinsic Communications, Inc. from January 1, 2004 to current, there were six complaints filed in 2004. These complaints were regarding billing, new service, quality of service, and disconnect/terminations. In 2005, there was one complaint regarding quality of service. All complaints have been resolved.

In researching the Consumer Services database for complaints for Touch 1 Communications, Inc. and Matrix Telecom, Inc. for the period from January 1, 2004 to current there are zero complaints filed. Matrix has informed Staff that it will honor any customer deposits and/or prepayments previously collected by Trinsic. Consequently, there is no risk that an advance, deposit and/or prepayment of funds from Arizona customers would be lost by approving this asset transfer.

Recommendations

1. Staff recommends approval of Matrix's request to transfer control of assets used to provide local and long distance telecommunications services from Trinsic to Matrix.
2. Staff recommends approval of Matrix's requested waiver of the Arizona Administrative Code Sections R14-2-1904, R14-2-1905, and R14-2-1906 in this matter.

3. Although not requested by the Applicants, Staff recommends cancellation of the Trinsic and Touch 1 CC&Ns at this time because the companies will no longer be providing telecommunications service in Arizona. Cancellation of the CC&Ns at this time will eliminate the need to file, at a later date, an application to cancel the CC&Ns. Upon cancellation of the CC&Ns, Trinsic and Touch 1 would no longer be authorized to provide competitive intrastate telecommunications service as a provider of resold interexchange service or as a provider of resold or facilities-based local exchange service in the state of Arizona. Therefore, Trinsic and Touch 1 would no longer be subject to the requirements of Decision Nos. 61540, 61659 or 62896, including the requirement to procure a performance bond.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION)
OF TRINSIC COMMUNICATIONS, INC.,)
TOUCH 1 COMMUNICATIONS, INC., AND)
MATRIX TELECOM, INC. FOR)
APPROVAL OF A JOINT APPLICATION)
OF A TRANSFER OF ASSETS)

DOCKET NOS. T-03589A-07-0231
T-03088A-07-0231
T-03228A-07-0231

DECISION NO. _____

ORDER

Open Meeting
October 11, 2007
Phoenix, Arizona

BY THE COMMISSION:

1. On April 9, 2007, Trinsic Communications, Inc. ("Trinsic" formerly known as "Z-Tel Communications, Inc."), Touch 1 Communications, Inc. ("Touch 1"), and any successor in interest of either, including a Chapter 7 bankruptcy trustee (collectively, "Trinsic"), and Matrix Telecom, Inc. ("Matrix") (and, together with Trinsic, the "Applicants"), filed a Joint Application seeking expedited Commission approval, to the extent necessary, to transfer control of assets used to provide local and long distance telecommunications services from Trinsic to Matrix. The Applicants have also requested that the Commission grant a waiver of the Commission's regulations governing the changes to a customer's telecommunications provider, Arizona Administrative Code Sections R14-2-1904, R14-2-1905, R14-2- 1906, to the extent those rules are inconsistent with Federal Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base, 47 C.F.R.3 64.1 120(e).

...

1 2. The Commission granted Trinsic the authority to provide, resold interexchange
2 service in Decision No. 61540, dated February 19, 1999 and to provide resold and facilities-based
3 local exchange service in Decision No. 62896, dated September 18, 2000. The Commission
4 granted Touch 1 the authority to provide resold interexchange service in Decision No. 61659,
5 dated April 21, 1999.

6 3. The Commission granted Matrix the authority to provide resold interexchange
7 service in Decision No. 65926, dated May 16, 2003 and to provide resold local exchange service in
8 Decision No. 68343, dated December 9, 2005. Matrix has an application pending before the
9 Commission for full, facilities-based local exchange services in Docket No. T-03228A-06-0800.

10 4. On March 21, 2007, Trinsic and Tide Acquisition Corporation ("Tide") entered into
11 an Asset Purchase Agreement, (the "APA") under which Tide would acquire the assets of Trinsic
12 used to provide telecommunications services, as well as Trinsic's customer accounts across the
13 nation, including in Arizona. Tide subsequently assigned its rights under the APA to Matrix.

14 5. Trinsic and Matrix have requested that the Commission approve the proposed sale
15 before June 4, 2007. The Applicants state that approval before this date is required under the
16 terms of the Asset Purchase Agreement and, because Trinsic has filed for bankruptcy, approval is
17 necessary to ensure the continuation of service to Trinsic's customers. The Applicants have also
18 requested that the Commission grant a waiver of the Commission's regulations governing the
19 changes to a customer's telecommunications provider, Arizona Administrative Code Sections
20 R14-2-1904, R14-2-1905, R14-2- 1906, to the extent those rules are inconsistent with Federal
21 Communications Commission's ("FCC's") rules governing the sale of a carrier's customer base,
22 47 C.F.R.3 64.1 120(e). The Applicants have stated that they will comply with the FCC's notice
23 and certification requirements applicable to transfers of carrier customer bases. Matrix has also
24 stated that it will comply with any notice requirements contained in Trinsic's contracts with its
25 customers.

26 6. The Applicants anticipate that this sale will be seamless and transparent to Trinsic's
27 customers. Under the terms of the APA, Matrix will acquire Trinsic's entire local and long
28 distance customer base, together with its rights and responsibilities under contracts necessary to

1 operate Trinsic's business, Trinsic's real and personal property, equipment, fixtures, intellectual
2 property, trademarks, and most other Trinsic assets. Thus, the Applicants assert that the proposed
3 sale of Trinsic's assets to Matrix will cause no interruption in service to customers, that no existing
4 service will be discontinued, reduced, or impaired as a result of the sale of these assets and that this
5 transaction will not affect rates for, or terms or conditions of, any service being provided by
6 Trinsic to customers in Arizona. Matrix will continue to provide service to these customers using
7 the Trinsic names, possibly on a co-branded basis.

8 7. Staff has reviewed the customer notification letter that Matrix provided to all GC
9 Small Business Customers. Because that notice was provided in a timely manner, informs
10 customers that the rates, terms and conditions of service will not change as a result of this asset
11 transfer and informs customers that they may subscribe to the telecommunications service provider
12 of their choice, Staff believes the Commission's Slamming and Cramming rules should be waived
13 in this matter.

14 8. Per information received from the Corporations Section of the Arizona Corporation
15 Commission, all three companies are in good standing. In researching the Consumer Services
16 database for complaints for Trinsic Communications, Inc. from January 1, 2004 to current, there
17 were six complaints filed in 2004. These complaints were regarding billing, new service, quality
18 of service, and disconnect/terminations. In 2005, there was one complaint regarding quality of
19 service. All complaints have been resolved.

20 9. In researching the Consumer Services database for complaints for Touch 1
21 Communications, Inc. and Matrix Telecom, Inc. for the period from January 1, 2004 to current
22 there are zero complaints filed. Matrix has informed Staff that it will honor any customer deposits
23 and/or prepayments previously collected by Trinsic. Consequently, there is no risk that an
24 advance, deposit and/or prepayment of funds from Arizona customers would be lost by approving
25 this asset transfer.

26 10. Staff has recommended approval of Matrix's request to transfer control of assets
27 used to provide local and long distance telecommunications services from Trinsic to Matrix.

28 ...

1 11. Staff has further recommended approval of Matrix's requested waiver of the
2 Arizona Administrative Code Sections R14-2-1904, R14-2-1905, and R14-2- 1906 in this matter.

3 12. Although not requested by the Applicants, Staff has recommended cancellation of
4 the Trinsic and Touch 1 CC&Ns at this time because the companies will no longer be providing
5 telecommunications service in Arizona. Cancellation of the CC&Ns at this time will eliminate the
6 need to file, at a later date, an application to cancel the CC&Ns. Upon cancellation of the CC&Ns,
7 Trinsic and Touch 1 would no longer be authorized to provide competitive intrastate
8 telecommunications service as a provider of resold interexchange service or as a provider of resold
9 or facilities-based local exchange service in the state of Arizona. Therefore, Trinsic and Touch 1
10 would no longer be subject to the requirements of Decision Nos. 61540, 61659 or 62896, including
11 the requirement to procure a performance bond.

12 CONCLUSIONS OF LAW

13 1. Trinsic and Matrix are public service corporations within the meaning of Article
14 XV of the Arizona Constitution.

15 2. The Commission has jurisdiction over Trinsic and Matrix and the subject matter in
16 this filing.

17 3. The Commission, having reviewed the filing and Staff's Memorandum dated
18 October 5, 2007 concludes that it is in the public interest to approve the Joint Application seeking
19 to transfer control of assets used to provide local and long distance telecommunications services
20 from Trinsic to Matrix.

21 ORDER

22 IT IS THEREFORE ORDERED that the Joint Application seeking to transfer control of
23 assets used to provide local and long distance telecommunications services from Trinsic to Matrix
24 be and hereby is approved.

25 ...
26 ...
27 ...
28 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IT IS FURTHER ORDERED that the Matrix requested waiver of the Arizona Administrative Code Sections R14-2-1904, R14-2-1905, and R14-2-1906 in this matter is approved.

IT IS FURTHER ORDERED that the Trinsic and Touch 1 CC&Ns be and hereby are cancelled.

IT IS FURTHER ORDERED that Trinsic and Touch 1 are no longer subject to the requirements of Decision Nos. 61540, 61659 or 62896, including the requirement to procure a performance bond.

IT IS FURTHER ORDERED that this Decision shall be become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I DEAN S. MILLER, Interim Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

DEAN S. MILLER
Interim Executive Director

DISSENT: _____

DISSENT: _____

EGJ:WMS:lhmkT

Decision No. _____

1 Service List for: Trinsic Communications, Inc., Touch 1 Communications, Inc., and Matrix
Telecom, Inc.
2 Docket Nos.: T-03589A-07-0231, T-03088A-07-0231 and T-03228A-07-0231
3

4 Ms. Peggy Rubino
Senior Vice President, Regulatory and
5 Legal Affairs
Trinsic, Inc.
6 601 South Harbour Boulevard, Suite 220
7 Tampa Florida 33602

Mr. Christopher S. Strickland, Esq.
Levine, Block & Strickland LLP
945 East Paces Road
2270 Resurgens Plaza
Atlanta, Georgia 30326

8 Mr. Scott Klopach
Vice-President of Regulatory Affairs
9 And General Counsel
Matrix Telecom, Inc.
10 7171 Forest Lane, Suite 700
11 Dallas, Texas 75230

Ms. Eva Kalawski
Executive Vice President, General Counsel
and Secretary
Platinum Equity LLC
360 North Crescent Drive, South Building
Beverly Hills, California 90210

12 Mr. Matthew A. Brill
Mr. Richard Cameron
13 Latham & Watkins LLP
555 Eleventh Street, N.W., Suite 1000
14 Washington, D.C. 20004-1304

15 Mr. Ernest G. Johnson
16 Director, Utilities Division
Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007

19 Mr. Christopher C. Kempley
Chief Legal Counsel, Legal Division
20 Arizona Corporation Commission
1200 West Washington Street
21 Phoenix, Arizona 85007
22
23
24
25
26
27
28