

ORIGINAL

OPEN MEETING



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MEMORANDUM

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2012 OCT 16 P 2:59

TO: THE COMMISSION

FROM: Utilities Division

DATE: October 16, 2012

RE: IN THE MATTER OF THE APPLICATION OF AMERICATEL CORPORATION AND MATRIX TELECOM, INC. FOR AN ORDER AUTHORIZING THE ENCUMBRANCE OF THEIR ASSETS. (DOCKET NOS. T-03517A-12-0225 AND T-03228A-12-0225)

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

On June 5, 2012, Americatel Corporation ("Americatel") and Matrix Telecom, Inc. ("Matrix") (together the "Applicants") filed an application requesting Arizona Corporation Commission ("Commission") approval pursuant to A.R.S. § 40-285 to pledge or otherwise encumber their Arizona assets and approve the pledge of their stock by their parent company in connection with certain financing arrangements.

Background

Americatel and Matrix are affiliated companies, both 100% owned by MTAC Holding Corporation, a Delaware corporation. Americatel is a Delaware corporation with principal offices located at 433 E. Las Colinas Blvd., Suite 400, Irving, Texas 75039. Americatel provides international and domestic facilities-based and resold long distance services, including "dialaround" casual calling (i.e., 1010XXX) service and presubscribed 1+ calling services. In Arizona, Americatel is authorized to provide competitive interLATA/intraLATA resold telecommunications services, except local exchange services, pursuant to authority granted in Decision No. 61054 issued in Docket No. T-03517A-98-0089 on August 6, 1998.

Matrix is a Texas corporation with principal offices located at 433 E. Las Colinas Blvd, Suite 400, Irving, Texas 75039. 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 telecommunications service, pursuant to authority granted in Decision No. 69944 issued in Docket No. T-03228A-06-0800 on October 16, 2007. Matrix is also authorized to provide resold local exchange on December 9, 2005, and competitive resold interexchange telecommunications services pursuant to authority granted in Decision No. 65926 issued in Docket No. T-03338A096-0392 on May 16, 2003.

Arizona Corporation Commission

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The Transaction

Americatel and Matrix seek approval to encumber their respective assets in Arizona and for their stock to be pledged by their parent company, in connection with certain financing arrangements. The financing arrangements are expected to consist of a senior secured lien facility in an aggregate principal amount to be determined based on market conditions, which currently is expected to be up to \$40 million ("the Facility"). The proceeds of loans under the Facility will be used by Americatel and Matrix to refinance indebtedness and for other permissible general corporate purposes. The Facility is expected to mature within five (5) years after the closing date.

All obligations under the Facility are expected to be incurred directly by Americatel and Matrix or guaranteed by Americatel and Matrix, subject to certain exceptions to be determined. The Facility will also be secured by substantially all the assets of Americatel and Matrix. Americatel and Matrix are subject to certain exceptions to be determined. Americatel and Matrix also intend to have their stock pledged by their parent company as security for the Facility.

Staff's Analysis

A.R.S. § 40-285 requires public service corporations to obtain Commission authorization to assign or dispose of a utility's assets as proposed by the merger in this transaction. The statute serves to protect captive customers from a utility's act to dispose of any of its assets that are necessary for the provision of service; thus, it serves to preempt any service impairment due to disposal of assets essential for providing service.

Americatel and Matrix state that the proposed transaction will not affect the rates, terms and conditions by which Americatel and Matrix offer service in Arizona. Americatel and Matrix also state that the financing arrangements will not result in an interruption or disruption of service, and will be seamless and transparent to customers. Additionally, the Applicants confirmed via email that any deposits, prepayments or advance payments held by Americatel and Matrix will not be included in the proposed encumbrance. Staff concludes that the proposed transaction will not impair the availability of service to customers since the Applicants provide competitive services that are available from alternative service providers.

On June 27, 2012, the Applicants filed with the Commission's Docket Control an affidavit of publication verifying public notice of its proposed transaction. Americatel and Matrix published notice of their application in The Arizona Republic on June 15, 2012.

Staff's Recommendations

Staff recommends that the application requesting Commission approval pursuant to A.R.S. § 40-285 to pledge or otherwise encumber the Applicants' Arizona assets and

approval of the pledge of the Applicants' stock by their parent company in connection with certain financing arrangements be approved with the following conditions:

1. That all customer deposits and prepayments be excluded from encumbrance and equivalent amounts be retained by the Applicants.
2. That one copy of executed security documents be filed with the Utilities Division within 90 days of the decision in this matter and confirmation of such filing be filed with Docket Control on the same date.



Steven M. Olea  
Director  
Utilities Division

SMO:KMS:sms/WVC

ORIGINATOR: Kiana M. Sears

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BRENDA BURNS  
Commissioner

IN THE MATTER OF IN THE MATTER OF )  
THE APPLICATION OF AMERICATEL )  
CORPORATION AND MATRIX )  
TELECOM, INC. FOR AN ORDER )  
AUTHORIZING THE ENCUMBRANCE OF )  
THEIR ASSETS )

DOCKET NO. T-03517A-12-0225  
T-03228A-12-0225  
  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
November 7 and 8, 2012  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On June 5, 2012, Americatel Corporation (“Americatel”) and Matrix Telecom, Inc. (“Matrix”) (together the “Applicants”) filed an application requesting Arizona Corporation Commission (“Commission”) approval pursuant to A.R.S. § 40-285 to pledge or otherwise encumber their Arizona assets and approve the pledge of their stock by their parent company in connection with certain financing arrangements.

Background

2. Americatel and Matrix are affiliated companies, both 100% owned by MTAC Holding Corporation, a Delaware corporation. Americatel is a Delaware corporation with principal offices located at 433 E. Las Colinas Blvd., Suite 400, Irving, Texas 75039. Americatel provides international and domestic facilities-based and resold long distance services, including

1 “dialaround” casual calling (i.e., 1010XXX) service and presubscribed 1+ calling services. In  
2 Arizona, Americatel is authorized to provide competitive interLATA/intraLATA resold  
3 telecommunications services, except local exchange services, pursuant to authority granted in  
4 Decision No. 61054 issued in Docket No. T-03517A-98-0089 on August 6, 1998.

5 3. Matrix is a Texas corporation with principal offices located at 433 E. Las Colinas  
6 Blvd, Suite 400, Irving, Texas 75039. Established in 1991, Matrix is a competitive provider of  
7 integrated communications services including local, 1+ long distance and toll free voice services  
8 plus a wide range of data services, such as dedicated Internet access, frame relay and point- to  
9 point transmission services, chiefly to enterprise telecommunications service pursuant to authority  
10 granted in Decision No. 69944 issued in Docket No. T-03228A-06-0800 on October 16, 2007.  
11 Matrix is also authorized to provide resold local exchange on December 9, 2005, and competitive  
12 resold interexchange telecommunications services pursuant to authority granted in Decision No.  
13 65926 issued in Docket No. T-03338A096-0392 on May 16, 2003.

14 The Transaction

15 4. Americatel and Matrix seek approval to encumber their respective assets in Arizona  
16 and for their stock to be pledged by their parent company, in connection with certain financing  
17 arrangements. The financing arrangements are expected to consist of a senior secured lien facility  
18 in an aggregate principal amount to be determined based on market conditions, which currently is  
19 expected to be up to \$40 million (“the Facility”). The proceeds of loans under the Facility will be  
20 used by Americatel and Matrix to refinance indebtedness and for other permissible general  
21 corporate purposes. The Facility is expected to mature within five (5) years after the closing date.

22 5. All obligations under the Facility are expected to be incurred directly by Americatel  
23 and Matrix or guaranteed by Americatel and Matrix, subject to certain exceptions to be  
24 determined. The Facility will also be secured by substantially all the assets of Americatel and  
25 Matrix. Americatel and Matrix are subject to certain exceptions to be determined. Americatel and  
26 Matrix also intend to have their stock pledged by their parent company as security for the Facility.

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1 Staff's Analysis

2 6. A.R.S. § 40-285 requires public service corporations to obtain Commission  
3 authorization to assign or dispose of a utility's assets as proposed by the merger in this transaction.  
4 The statute serves to protect captive customers from a utility's act to dispose of any of its assets  
5 that are necessary for the provision of service; thus, it serves to preempt any service impairment  
6 due to disposal of assets essential for providing service.

7 7. Americatel and Matrix state that the proposed transaction will not affect the rates,  
8 terms and conditions by which Americatel and Matrix offer service in Arizona. Americatel and  
9 Matrix also state that the financing arrangements will not result in an interruption or disruption of  
10 service, and will be seamless and transparent to customers. Additionally, the Applicants  
11 confirmed via email that any deposits, prepayments or advance payments held by Americatel and  
12 Matrix will not be included in the proposed encumbrance. Staff concludes that the proposed  
13 transaction will not impair the availability of service to customers since the Applicants provide  
14 competitive services that are available from alternative service providers.

15 8. On June 27, 2012, the Applicants filed with the Commission's Docket Control an  
16 affidavit of publication verifying public notice of its proposed transaction. Americatel and Matrix  
17 published notice of their application in The Arizona Republic on June 15, 2012.

18 Staff's Recommendations

19 9. Staff recommends that the application requesting Commission approval pursuant to  
20 A.R.S. § 40-285 to pledge or otherwise encumber the Applicants' Arizona assets and approval of  
21 the pledge of the Applicants' stock by their parent company, MTAC Holding Corporation, in  
22 connection with certain financing arrangements be approved with the following conditions:

- 23 A. That all customer deposits and prepayments be excluded from encumbrance and  
24 equivalent amounts be retained by the Applicants.
- 25 B. That one copy of executed security documents be filed with the Utilities Division  
26 within 90 days of the decision in this matter and confirmation of such filing be filed  
with Docket Control on the same date.

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CONCLUSIONS OF LAW

1. Americatel Corporation and Matrix Telecom, Inc. are public service corporations within the meaning of Article XV of the Arizona Constitution and A.R.S. § 40-285.

2. The Commission has jurisdiction over Americatel Corporation and Matrix Telecom, Inc. and the subject matter in this filing.

3. The Commission, having reviewed the filing and Staff's Memorandum dated October 16, 2012, concludes that it is in the public interest to approve the application with the conditions recommended by Staff in Finding of Fact No. 9.

ORDER

IT IS THEREFORE ORDERED that the Americatel Corporation and Matrix Telecom, Inc. application requesting approval to pledge or otherwise encumber their Arizona assets be and hereby is approved, subject to the condition that all customer deposits and prepayments be excluded from encumbrance.

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1 IT IS FURTHER ORDERED that Americatel Corporation and Matrix Telecom, Inc. be and  
2 hereby is authorized to engage in any transactions and to execute any documents necessary to  
3 effectuate the authorizations granted herein.

4 IT IS FURTHER ORDERED that one copy of executed security documents shall be filed  
5 with the Utilities Division and a letter confirming such filing shall be docketed as a compliance  
6 item in this docket within 90 days following execution of the proposed transaction.

7 IT IS FURTHER ORDERED that this Decision become effective immediately.

8

9 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

COMMISSIONER

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COMMISSIONER

COMMISSIONER

COMMISSIONER

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IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
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 \_\_\_\_\_, 2011.

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\_\_\_\_\_  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

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DISSENT: \_\_\_\_\_

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DISSENT: \_\_\_\_\_

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SMO:KMS:sms/WVC

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1 SERVICE LIST FOR: Americatel Corporation and Matrix Telecom, Inc.  
2 Docket Nos.: T-03517A-12-0225 and T-03228A-12-0225

3 Thomas H. Campbell  
4 Michael T. Hallam  
5 40 North Central Avenue  
6 Phoenix, AZ 85004

7 Ms. Janice M. Alward  
8 Chief Counsel, Legal Division  
9 Arizona Corporation Commission  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

12 Mr. Steven M. Olea  
13 Director, Utilities Division  
14 Arizona Corporation Commission  
15 1200 West Washington Street  
16 Phoenix, Arizona 85007

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