



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.nj.gov/bpu/

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED JOINT)
PETITION OF COMTEL TELCOM ASSETS LP)
AND MATRIX TELECOM, INC. FOR APPROVAL)
(1) OF THE TRANSFER OF ASSETS AND)
CUSTOMERS FROM COMTEL TELCOM)
ASSETS LP TO MATRIX TELECOM, INC. (2))
FOR MATRIX TELECOM, INC. TO PARTICIPATE)
IN CERTAIN FINANCING ARRANGEMENTS AND)
(3) OF CANCELLATION OF AUTHORITY AND)
TARIFFS OF COMTEL TELCOM ASSETS LP)
UPON NOTIFICATION OF CLOSING)

ORDER OF APPROVAL

DOCKET NO. TM10040266

James H. Laskey, Esq., Norris McLaughlin & Marcus, PA, Bridgewater, New Jersey, for the
Petitioners

BY THE BOARD:

On April 13, 2010, Comtel Telcom, Assets LP (Comtel) and Matrix Telecom, Inc, ("Matrix" and together with Comtel, the "Petitioners"), pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-9, filed with the New Jersey Board of Public Utilities ("Board") a petition requesting approval to the extent required, for (1) Comtel to transfer substantially all of its assets and customers to Matrix (the "Transfer") and (2) Matrix to enter into certain financing arrangements (the "Financing"). Upon completion of the transaction, Matrix will provide telecommunications services to all of the customers of Comtel at the same rates, terms, and conditions that they currently receive and after the migration of customers to Matrix, Comtel will surrender its authorization in New Jersey.

BACKGROUND

Comtel is a limited partnership organized under the laws of Texas with principal offices located in Irving, Texas. Comtel is majority owned by Comtel Assets Corp., which in turn is wholly owned by Denham Commodity Partners Fund III LP, a private equity fund. Comtel provides intrastate, interstate and international long distance services throughout the continental United States and local

exchange services in the District of Columbia and all states except Alaska, Hawaii, and Virginia. In New Jersey, Comtel is authorized to provide exchange telecommunications services. See, I/M/O the Petition of Comtel Telecom Assets LP Request for a Certificate of Public Convenience and Necessity to Provide Facilities-Based Local Exchange, Exchange Access and Resold Inter-Exchange Telecommunications Services throughout the State of New Jersey, Docket No. TE05110987, dated April 27, 2006.

Matrix, a Texas corporation, with principal offices located in Dallas, Texas is a competitive service provider of integrated communications services including local, 1+ long distance and toll-free voice services, frame relay and point-to-point transmission services primarily to enterprise customers throughout the United States. Matrix received its authority to provide local exchange services in New Jersey on April 12, 2007. See I/M/O The Petition Of Matrix Telecom, Inc. D/B/A Matrix Business Technologies for a Certificate of Public Convenience and Necessity to Provide Local Exchange Telecommunications Services Within the State Of New Jersey, Docket No. TE06120898. Additional information and qualifications of Matrix can be found in that Order.

DISCUSSION

Pursuant to an Asset Purchase Agreement ("Agreement") dated as of March 13, 2010, between Matrix and Comtel, Petitioners propose to complete a transaction through which Matrix will acquire certain assets of Comtel, including Comtel's customers and substantially all of the assets used in Comtel's provision of telecommunications services ("Transfer"). As a result of the proposed Transfer, Matrix will replace Comtel as the service provider in New Jersey. Petitioners state that although the proposed Transfer will involve a transfer of customers, all of those customers will continue to receive service from Matrix under the same rates, terms and conditions as the services currently provided, and under the same applicable brand name. The petition notes that Matrix's operations will be overseen by an experienced management team and since Matrix is acquiring all of the assets of Comtel necessary to provide service to transferred customers, Matrix will have all of the assets required to continue to provide high quality services to the customers it acquires. Petitioners are also requesting that once the Transfer has been completed that Comtel's authority and tariffs be cancelled upon notification by Petitioners. Comtel currently serves approximately 70 business customers and 7,650 residential customers in New Jersey.

The Petition states that in order to finance part of the consideration for the transaction, Matrix will obtain seller financing from Comtel. The financing is expected to consist of a secured promissory note in the amount of \$17 million to be subordinated only to Matrix's current senior lender under its existing credit facility which will remain in place. The note will be secured by a second priority lien on all collateral pledged under the Senior Credit facility, which is substantially all of the assets of Matrix and its subsidiaries. The seller note is expected to have a maturity of the earlier of twenty four months from closing of the transfer transaction and the payment in full, in cash, of the Senior Credit Facility. The interest rate will be 10% per annum.

Along with this filing, as required by N.J.A.C. 14:10-12, Petitioners submitted information showing their compliance with the Board's mass migration rules. Matrix will acquire all of the existing customers of Comtel, with the exception of those that choose a different service provider.

FINDINGS AND CONCLUSIONS

After careful review of this matter, the Board FINDS that the Transfer will have no negative impact on competition or on the rates of current customers. The Board also FINDS that the Transfer will have no negative impact on the provision of safe, adequate and proper service. Moreover, the Board FINDS that a positive benefit may be expected from Matrix's access to additional resources, which should allow them to better compete in the marketplace. Additionally, the Board is satisfied that the transactions will not have an adverse impact on Petitioner's operations in New Jersey. Therefore, the Board, after investigation, having considered the record and exhibits submitted in this proceeding, FINDS that the transaction is in accordance with the law and in the public interest.

Accordingly, the Board FINDS that the proposed Transfer and related loan transaction are in accordance with law and are in the public interest, and HEREBY ORDERS that the Petitioners are HEREBY AUTHORIZED to consummate the Transfer as described herein. The Board HEREBY ORDERS that the Petitioners shall notify the Board of the closing of the proposed transactions within seven (7) days of the consummation of the Transaction. The Board FURTHER ORDERS that this approval will expire if the Transaction is not fully consummated on or before June 30, 2011.

Following the closing of the transaction, Comtel shall surrender its authority to the Board and in accordance with N.J.S.A. 48:2-59 and 48:2-60 and N.J.S.A. 52:27EE-52, and shall be responsible for the filing of its final annual report with the Board, and for the payment of any outstanding assessment liabilities to the Board and to the Division of Rate Counsel.

The Board further FINDS that the Petitioners' mass migration application filed with the Board is in compliance with the mass migration rules provided in N.J.A.C. 14:10-12.1 et seq.

After review of the proposed financing arrangements described herein, the Board FINDS that the proposed transaction is consistent with the applicable law and the public interest. The Board therefore, approves the purposes thereof. Accordingly, the Board HEREBY AUTHORIZES the Petitioners to provide their guarantee, serve as co-borrowers, or otherwise provide security in connection with financing up to \$17 million.

This Order is subject to the following provisions.

This Order shall not affect or in any way limit the exercise of the authority of the Board or of the State in any future petition with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or any other matters affecting the Petitioners.

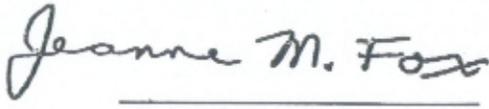
Notwithstanding anything to the contrary in the documents executed pursuant to the financing transactions or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioners' assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.

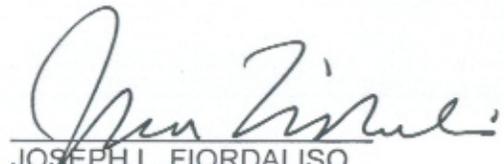
This order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets now owned or hereafter to be owned by Petitioner.

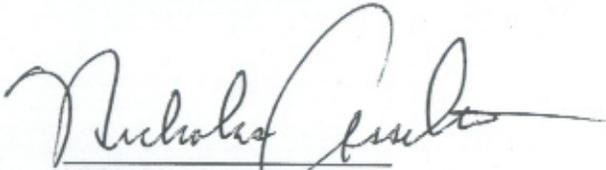
DATED: 6/26/10

BOARD OF PUBLIC UTILITIES
BY:


LEE A. SOLOMON
PRESIDENT

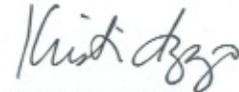

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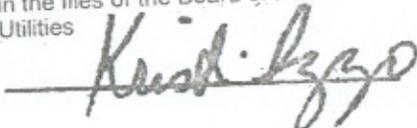

NICHOLAS ASSELTA
COMMISSIONER


ELIZABETH RANDALL
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



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