



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
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Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

TELECOMMUNICATIONS

IN THE MATTER OF THE VERIFIED JOINT PETITION ) ORDER  
OF GARRISON TNCI LLC, TNCI OPERATING )  
COMPANY LLC, IMPACT TELECOM, INC. AND )  
MATRIX TELECOM, INC. FOR APPROVAL OF THE )  
PROPOSED TRANSFER OF INDIRECT CONTROL OF )  
MATRIX TELECOM, INC. TO GARRISON TNCI LLC )  
AND RELATED TRANSACTIONS ) DOCKET NO. TM15111297

**Parties of Record:**

**Dennis C. Linken, Esq., Scarinci & Hollenbeck, LLC**, on behalf of Petitioners  
**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD:<sup>1</sup>

On November 10, 2015, Garrison TNCI LLC ("Transferee"), TNCI Operating Company LLC ("TNCI OpCo"), Impact Telecom, Inc. ("Impact") and Matrix Telecom, Inc. ("Matrix") (collectively, the "Petitioners") submitted a verified petition ("Petition") to the New Jersey Board of Public Utilities ("Board") pursuant to N.J.S.A. 48:2-51.1 and N.J.S.A. 48:3-10 requesting Board authorization to complete the transfer of indirect control of Matrix to Transferee (the "Impact Transaction") and related transactions.<sup>2</sup> Following the proposed Impact Transaction, Matrix will continue to offer the same services in New Jersey at the same rates, terms, and conditions.

**BACKGROUND**

Transferee is a Delaware limited liability company and is owned by funds managed by the Garrison Investment Group, a leading middle market credit and asset based investor. The principal office of Transferee and the Garrison Funds is located at 1290 Avenue of the Americas, Suite 914, New York, New York 10104.

<sup>1</sup> Commissioner Joseph L. Fiordaliso was not present at the December 16, 2015 agenda meeting.  
<sup>2</sup> In connection with the Impact Transaction, a separate joint petition was simultaneously filed in Docket No. TF15111298, seeking approval for TNCI OpCo and Matrix to participate in financing arrangements in an aggregate amount of up to \$75 million. This order does not address the requests made in that separate joint petition.

TNCI OpCo is a Delaware limited liability company and a direct, wholly owned subsidiary of TNCI Holdings LLC (“TNCI Holdings”), a Delaware limited liability company. TNCI Holdings is a direct, wholly owned subsidiary of Transferee. TNCI OpCo has a principal office located at 114 E. Haley Street, Suite I, Santa Barbara, California 93101.

TNCI OpCo was formed in January 2013, to aggregate regional telephone companies and create a national facilities based telephone company. TNCI OpCo specializes in wholesale voice and enterprise voice, data and cloud solutions. TNCI OpCo’s solutions include business VoIP, local phone services, long distance, TNCI Telastic Hosted Voice, MPLS, and Dedicated Internet Access. In New Jersey, TNCI OpCo is authorized to provide facilities-based (both switched and dedicated) local exchange, exchange access, interexchange and private line telecommunications. See I/M/O the Petition of TNCI Operating Company, LLC for Authority to Provide Local Exchange, Exchange Access and Interexchange Telecommunications Services in the State of New Jersey, Docket No. TE13040265, Order dated May 31, 2013. TNCI OpCo also holds authority from the Federal Communications Commission (“FCC”) to provide domestic interstate and international telecommunications services. TNCI OpCo has two employees located in New Jersey.

Matrix is a Texas corporation and wholly owned direct subsidiary of Impact, a Nevada corporation (Impact and its subsidiaries, including Matrix, collectively referred to herein as “Impact Telecom”). Impact Telecom has a principal office located at 9000 East Nichols Avenue, Suite 230, Englewood, Colorado 80112. Impact does not have a majority owner.

Impact, through its subsidiaries Matrix and Matrix Telecom of Virginia, Inc., provides retail and wholesale telecommunications services. Impact Telecom provides domestic and international long distance and facilities-based wholesale telecommunications solutions to carriers worldwide, as well as Hosted PBX, SIP Trunking and PRI, local phone service, toll free origination, domestic and international long distance and data services to commercial customers. In New Jersey, Matrix is authorized to provide facilities-based competitive local exchange telecommunications service. 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, Order dated April 13, 2007. Matrix also holds authority from the FCC to provide domestic interstate and international telecommunications services. According to the Petition, Impact and Matrix have two employees in New Jersey.

## **DISCUSSION**

The Petition states that pursuant to the terms of a Securities Purchase Agreement (the “Agreement”) dated as of November 3, 2015, by and among Robert Beaty, Charles Griffin, William Beaty, Jason McKesson, Doug Funsch, Impact Telecom Holdings, Inc. (“Newco”), Impact, Impact Acquisition LLC (“Acquisition”) and TNCI Impact LLC (“TNCI Impact”), Acquisition will acquire all of the equity of Impact. Before the Agreement is consummated, the following intermediate steps will occur: (1) TNCI OpCo’s direct owner will change from TNCI Holdings to TNCI Impact, a Delaware limited liability company that will be directly wholly owned by Transferee;<sup>3</sup> (2) TNCI Impact will form Acquisition, a Delaware limited liability company; (3) a new Delaware corporation, Newco, will be formed and will become the direct owner of Impact,

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<sup>3</sup> At closing of the Impact Transaction, Newco will be granted a 10% ownership interest in TNCI Impact.

with the current shareholders and warrant holders of Impact owning Newco;<sup>4</sup> and (4) Impact, a Nevada corporation, will convert to a Nevada limited liability company and Matrix, a Texas corporation, will convert to a Texas limited liability company. Petitioners state that the end result, following the transactions contemplated by the Agreement, including the intermediate steps, will be the transfer of indirect control of Matrix to Transferee and a *pro forma* change in the direct owner of TNCI OpCo.

Petitioners state that the Impact Transaction and related transactions will be conducted in a manner that will be transparent to Matrix customers and will not result in any immediate change of carrier for customers or any assignment of authorizations, and in no event will it result in the discontinuance, reduction, loss, or impairment of service to customers.

Pursuant to N.J.S.A. 48:2-51.1(a), “the [B]oard shall evaluate the impact of [an] acquisition [of control of a public utility] on competition, on the rates of ratepayers affected by the acquisition of control, on the employees of the affected public utility or utilities, and on the provision of safe and adequate utility service at just and reasonable rates.” In evaluating this Petition, the Board must be “satisfied that positive benefits will flow to customers and the State of New Jersey and, at a minimum, that there are no adverse impacts on any of the criteria delineated in N.J.S.A. 48:2-51.1” as set forth above. N.J.A.C. 14:1-5.14(c). Also, pursuant to N.J.S.A. 48:3-7 and N.J.S.A. 48:3-10, the Board must determine whether the public utility, or a wholly owned subsidiary thereof, may be unable to fulfill its pension obligations to any of its employees.

Petitioners assert that approval of the proposed transactions will serve the public interest. Petitioners state that the Impact Transaction will bring together two enterprises that have demonstrated a long-standing commitment to excellence in a highly competitive marketplace. Transferee expects that the Impact Transaction will enable the companies to better meet the local, national and global needs of enterprises, wholesale buyers, and other customers. Petitioners aver that customers of the combined company will benefit from the extensive telecommunications experience and expertise of the combined company. Petitioners expect that the financial, technical, and managerial resources that Transferee and TNCI OpCo will bring to Matrix will enhance the ability of Impact to compete in the telecommunications market-place. Further, the complementary networks and services of TNCI OpCo and Impact will enhance their ability to efficiently serve their customers and offer a more competitive set of service offerings. Petitioners have also advised the Board that neither Impact Telecom nor TNCI OpCo has an employee pension plan.

By letter to the Board dated November 20, 2015, the New Jersey Division of Rate Counsel advised that it “does not oppose the Board’s expedited treatment of this matter nor the Board’s grant of Joint Petitioners’ requests contained in their Joint Verified Petition seeking approval for a transfer of indirect control.” Letter from Rate Counsel at 3.

## **FINDINGS AND CONCLUSIONS**

After careful review of this matter and all related documents, the Board concludes that there will be no negative impact on rates or service quality since Petitioners’ New Jersey customers will continue to receive the same services from the same entities at the same rates and under the same terms and conditions. Also, the Board is satisfied that positive benefits will flow to customers based on the record presented by Petitioners as the transactions will strengthen

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<sup>4</sup> Acquisition will acquire all of the equity of Impact from Newco, resulting in the transfer of direct control of Impact to Acquisition and ultimately Transferee.

Petitioners' competitive posture in the telecommunications market by giving the Petitioners access to additional resources. In addition, the Board is persuaded that there will not be any adverse impact to employees of Impact, Matrix and TNCI OpCo in New Jersey. In addition, the Board is persuaded that Petitioners will make every effort to minimize any potential adverse impact to employees in New Jersey.


Accordingly, the Board **FINDS** that the proposed Impact Transaction is consistent with the applicable law and is not contrary to the public interest and will have no material impact on the rates of current customers, or on New Jersey employees. The Board also **FINDS** that the proposed Impact Transaction will have no negative impact on the provision of safe, adequate and proper service, and will positively benefit competition. Therefore, after investigation, having considered the record and exhibits submitted in this proceeding, the Board **HEREBY AUTHORIZES** Petitioners to complete the proposed Impact Transaction.

This Order shall be effective December 26, 2015.


DATED: 12/16/15


BOARD OF PUBLIC UTILITIES  
BY:

  
RICHARD S. MROZ  
PRESIDENT

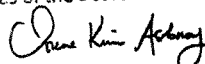
  
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DIANNE SOLOMON  
COMMISSIONER

  
UPENDRA J. CHIVUKULA  
COMMISSIONER

ATTEST:  
  
IRENE KIM ASBURY  
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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