



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
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 TNCI OPERATING COMPANY LLC, AND )  
MATRIX TELECOM, INC. FOR APPROVAL FOR TNCI )  
OPERATING COMPANY LLC AND MATRIX TELECOM, )  
INC. TO PARTICIPATE IN CERTAIN FINANCING )  
ARRANGEMENTS ) DOCKET NO. TF15111298

**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, TNCI Operating Company LLC (“TNCI OpCo”) and Matrix Telecom, Inc. (“Matrix”) (together, the “Petitioners”) submitted a verified joint petition (“Petition” or “Joint Petition”) to the New Jersey Board of Public Utilities (“Board”) pursuant to N.J.S.A. 48:3-7 and 48:3-9 requesting Board approval to participate in financing arrangements in an aggregate amount of up to \$75 million.<sup>2</sup>

**BACKGROUND**

TNCI OpCo is a Delaware limited liability and a direct, wholly owned subsidiary of TNCI Holdings LLC (“TNCI Holdings”), a Delaware limited liability company.<sup>3</sup> TNCI Holdings is a direct, wholly owned subsidiary of Transferee. Transferee is a Delaware limited liability company and is owned by funds managed by the Garrison Investment Group. The principal office of Transferee and the Garrison Funds is located at 1290 Avenue of the Americas, Suite 914, New

<sup>1</sup> Commissioner Joseph L. Fiordaliso was not present at the December 16, 2015 agenda meeting.

<sup>2</sup> The financing arrangements are being undertaken in connection with the transfer of indirect control of Matrix to Garrison TNCI LLC (“Transferee”) and related transactions (the “Impact Transaction”). A Joint Petition requesting approval of the Impact Transaction was simultaneously filed in Docket No. TM15111297.

<sup>3</sup> Upon completion of the Impact Transaction, TNCI OpCo will be a direct wholly owned subsidiary of TNCI Impact LLC (“TNCI Impact”), a Delaware limited liability company.

York, New York 10104. TNCI OpCo has a principal office located at 114 East 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.<sup>4</sup>

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. Impact and Matrix have two employees located in New Jersey.

## **DISCUSSION**

Petitioners request approval to participate in new, amended, restated or future financing arrangements in an aggregate amount of up to \$75 million (the "Financing Arrangements").<sup>5</sup> In order to maintain adequate flexibility to respond to market conditions and requirements and to respond to new acquisition and other business opportunities, Petitioners seek approval for TNCI OpCo and, following completion of the Impact Transaction, Matrix to participate as borrowers or guarantors and by pledging their assets as security for financing arrangements consistent with

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<sup>4</sup> Upon completion of the Impact Transaction, Impact will be a direct wholly owned subsidiary of Impact Acquisition LLC, which in turn will be a direct wholly owned subsidiary of TNCI Impact.

<sup>5</sup> In connection with the Impact Transaction, the existing financing arrangements of TNCI OpCo will be amended and restated to increase the aggregate amount of the financing arrangements, to add additional borrowers, to update the guarantors to reflect the company's current corporate structure, and to make other changes consistent with the parameters described below.

At closing of the Impact Transaction, Matrix will no longer be a guarantor or pledge its assets as security for the approximately \$25 million in existing debt of Impact, which will be canceled as part of the Impact Transaction.

the parameters outlined in the Joint Petition. Petitioners state that the Financing Arrangements may include one or more of the following forms of debt instruments: notes or debentures (including notes convertible into equity and private notes that may be exchanged for public notes); conventional credit facilities, such as revolving credit facilities and term loans; letters of credit; and bridge loans; or a combination thereof. Petitioners expect that any long-term indebtedness incurred as part of the Financing Arrangements will mature up to ten years after issuance, depending on the type of debt instrument. Interest rate(s) will be set according to market conditions at issuance and will be fixed or floating, or a combination thereof, with floating rates consisting of a base rate plus an agreed upon margin. Some or all of the Financing Arrangements would be secured with security interests in some or all of the assets of the TNCI Impact and its U.S. subsidiaries, including Petitioners. Further, TNCI Impact and certain current and future subsidiaries, including Petitioners, may provide a guaranty as security for all or part of the full amount in financing arrangements to the extent such entity is not a borrower. The Financing Arrangements may be used for acquisitions, including the Impact Transaction, refinancing existing debt, working capital requirements and general corporate purposes of TNCI Impact and its subsidiaries.

In the Joint Petition, the Petitioners state that the Financing Arrangements are an important part of the Impact Transaction, which itself is in the public interest. Petitioners state that the Financing Arrangements will provide TNCI Impact and its subsidiaries with access to greater financial resources that will allow Petitioners to become more effective competitors to larger incumbent telecommunications providers. Petitioners assert that the Financing Arrangements are necessary and appropriate; are consistent with the performance by Petitioners of their services to the public; do not impair Petitioners' ability to perform such services; and promote their corporate purposes. The Petition also states that it is expected that substantially similar levels of employee staffing in New Jersey will be maintained following the closing of the Impact Transaction, and employees will retain their existing rights in any retirement benefits.

The New Jersey Division of Rate Counsel ("Rate Counsel") has reviewed this matter and, by letter to the Board dated November 20, 2015, states that it "does not oppose the Board's grant of Petitioners' requests in their Joint Verified Petition." Letter from Rate Counsel at 1.

### **FINDINGS AND CONCLUSIONS**

After careful review of this matter, the Board **FINDS** that the proposed Financing Arrangements will not have a negative impact on competition, the rates of current customers, or New Jersey employees. Therefore, after investigation and consideration of the record and information submitted in this proceeding, the Board **FINDS** that the Financing Arrangements are in accordance with the law and in the public interest, and **HEREBY AUTHORIZES** Petitioners to participate in the Financing Arrangements up to an aggregate amount of \$75 million, and to take those actions necessary to effectuate such financing arrangements.

This Order is issued subject to the following provisions:

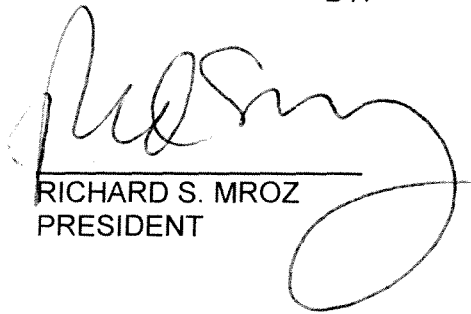
1. This Order shall not affect or in any way limit the exercise of the authority of the Board or the State of New Jersey in any future petition or in any proceeding regarding rates, costs of service, franchises, service, financing, accounting, capitalization, depreciation or any other matters affecting Petitioners.

2. Petitioners shall notify the Board, within five business days, of any material changes in the proposed financing and shall provide complete details of such transactions, including any anticipated effects upon service in New Jersey.
3. Petitioners shall notify the Board of any material default in the terms of the proposed financing within five business days of such occurrence.
4. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction or other supporting documents, a default or assignment under such agreement does not constitute an automatic transfer of Petitioner's assets. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq. where applicable.
5. 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 the Petitioner.

This Order shall become effective on December 26, 2015.

DATED: 12/16/15

BOARD OF PUBLIC UTILITIES  
BY:




RICHARD S. MROZ  
PRESIDENT




MARY-ANNA HOLDEN  
COMMISSIONER



DIANNE SOLOMON  
COMMISSIONER

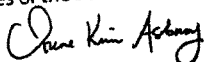


UPENDRA J. CHIVUKULA  
COMMISSIONER

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



**IN THE MATTER OF THE JOINT VERIFIED PETITION OF TNCI OPERATING  
COMPANY, LLC AND MATRIX TELECOM, INC., TO PARTICIPATE IN CERTAIN  
FINANCING ARRANGEMENTS**

**DOCKET NO. TF15111298**

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