



State of Utah
Department of Commerce
Division of Public Utilities

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THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

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Lieutenant Governor

MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Bill Duncan, Telecommunications / Water Manager
Ron Slusher, Utility Technical Consultant

Date: November 23, 2015

Re: In the Matter of the Joint Application of Garrison TNCI LLC, TNCI Operating Company LLC (15-2431-01), Impact Telecom, Inc. (15-2474-01), and Matrix Telecom, Inc. (15-2452-02), for Approval of the Proposed Transfer of Indirect Control of Matrix Telecom, Inc. to Garrison TNCI LLC and Related Transactions.

RECOMMENDATION (Approve):

The Division of Public Utilities (“Division”) has reviewed the joint application of Garrison TNCI LLC, the parent company of TNCI Operating Company LLC (15-2431-01), Impact Telecom, Inc. (15-2474-01), and Matrix Telecom, Inc. (15-2452-02) for Approval of the Proposed Transfer of Indirect Control of Matrix Telecom, Inc. to Garrison TNCI LLC and believes that the public interest will be promoted by recommending that the Public Service Commission (“Commission”) allow the this Transfer of Indirect Control. As a result of the acquisition, the Companies should be in a better position to provide expanded and advanced telecommunications services in the State of Utah.

The Division expects that based on history that a filing of this type and with the information submitted by the company there will be no objections or opposition to this recommendation. Therefore, the Division request that this docket be adjudicated informally in accordance with R746-110-1.

EXPLANATION:

On or about November 13, 2015, Garrison TNCI LLC, the parent company of TNCI Operating Company LLC, Impact Telecom, Inc., and Matrix Telecom, Inc. (“Applicants”) filed a joint application notifying the Commission of a transaction, which will result in the Transfer of Direct

Control of Impact Telecom, Inc., and Transfer of Indirect Control Matrix Telecom, Inc. to Garrison TNCI, LLC.

Garrison TNCI, LLC is a Delaware limited liability company and is owned by funds managed by The Garrison Investment Group, headquartered at 1290 Avenue of the Americas, Suite 914, New York, New York 10104.

TNCI Operating Company LLC is a Delaware limited liability company headquartered at 114 E. Haley Street, Suite I, Santa Barbara, California 93101. They are a direct, wholly owned subsidiary of TNCI Holdings LLC, a Delaware limited liability company. TNCI Holdings is a direct, wholly owned subsidiary of Garrison TNCI, LLC. TNCI Operating Company LLC was issued a Certificate of Public Convenience and Necessity (“CPCN”) for the State of Utah by the Commission on July 31, 2013, Docket No. 13-2431-01.

Impact Telecom, Inc. was incorporated under the laws of the State of Nevada on May 25, 2005. Its principal office is located at 9000 East Nichols Avenue, Suite 230, Englewood, CO 80112. Impact Telecom, Inc. was issued a CPCN for the State of Utah under Docket No. 06-2474-01 on February 8, 2007.

Matrix Telecom, Inc. was incorporated under the laws of the State of Texas on June 13, 1990. Its principal office is located at 433 East Las Colinas Boulevard, Suite 400, Irving, TX 75039. Matrix Telecom, Inc. was issued a CPCN for the State of Utah under Docket No. 05-2452-01 on December 15, 2005.¹ Matrix Telecom, Inc. is a wholly owned subsidiary of Impact Telecom, Inc.

In an agreement dated November 03, 2105, the Applicants entered into a transaction that by a restructuring and a purchase agreement will transfer Impact Telecom, Inc. to Garrison TNCI, Inc. Matrix Telecom, Inc. being a subsidiary of Impact Telecom, Inc. will be indirectly transferred to Garrison TNCI, Inc. as a result. After the acquisition of Impact and Matrix, these two companies will change their corporation status to Limited Liability Corporations. Both telecoms will continue to operate in Utah as they have in the past.

The Applicants submit that the transaction described herein will serve the public interest. The Applicants expect that the merger will enable the combined entities to better meet the needs of enterprises, wholesale buyers, and other customers. The transaction will bring together two successful carrier organizations that have proven themselves in a highly competitive marketplace. The transaction will help create a stronger competitor by bringing together each organization’s respective strengths. Operating as an integrated company will allow each of the operating companies to be more competitive and to deliver greater value and variety of services to their customers than they do individually. The Applicants attest that none of the participants in the transaction is an ILEC’s in the State of Utah.

¹ The Docket cited, 05-2451-01, and the date issued, November 18, 2005, in the application are not correct. That Docket Number belongs to Ernest Communications, Inc. Ernest Communications cancelled their CPCN on September 01, 2013.

The Applicants further submit that the transaction will be conducted in a manner that will be largely transparent their customers. The transaction will not result in a 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.

Cc. Brett P. Ferenchak, Counsel, Morgan, Lewis & Bockius, LLP
Joshua Brandt, Garrison Investment Group
Brain McClintock, Chief Financial Officer, TNCI Operating Company, LLC
Alex Valencia, Vice President, Gov't Affairs & Compliance, Impact telecom, LLC
Justin Jetter, Assistant Attorney General, State of Utah
Cheryl Murray, Utility Analyst, Office of Consumer Services, State of Utah