

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6302

Joint Petition of Matrix Telecom, Inc., AvTel
Communications, Inc., and Matrix Acquisition
Holdings Corp. for Approval of a Transfer of
Control

Order entered: 3/15/2000

I. INTRODUCTION

This case involves a petition filed jointly on September 23, 1999, by Matrix Telecom, Inc. ("Matrix"), AvTel Communications, Inc. ("AvTel"), and Matrix Acquisition Holdings Corp. ("MAHC") (jointly "Petitioners"), seeking Vermont Public Service Board ("Board") approval, under 30 V.S.A. § 107, of a proposed agreement to sell all of the issued and outstanding common stock of Matrix, a wholly-owned subsidiary of AvTel, to MAHC which will result in a transfer of control of Matrix to MAHC. As a result of the transaction, Matrix will become a wholly-owned subsidiary of MAHC.

On February 25, 2000, the Vermont Department of Public Service ("Department") submitted a letter to the Board indicating that the Department had no objection to the transfer of control of Matrix to MAHC. The Department noted that the transaction did not appear to affect the services received by customers of Matrix or cause inconvenience or confusion to the customers of these subsidiaries, in that the rates and services offered do not appear to be affected by the transaction. Further, the Department also had no objection to the issuance of an order without hearing or further investigation, as provided under 30 V.S.A. § 107.

3. Matrix and AvTel have determined that they will realize significant economic and marketing efficiencies by establishing Matrix as a wholly-owned subsidiary of MAHC. Accordingly, Matrix, AvTel and ETAC entered into a Stock Purchase Agreement which was subsequently assigned to ETAC's newly formed subsidiary MAHC. In the proposed transaction, at closing, certificates representing 100% of the issued and outstanding common stock of Matrix, duly endorsed, will be delivered to MAHC by AvTel, thus leaving Matrix as a wholly-owned subsidiary of MAHC. Petition at 3.

4. Following completion of the transaction, Matrix will continue to operate in all respects as it currently operates, pursuant to present operating authority and tariff rate structure, and will continue to provide service to current residential customers in Vermont as a subsidiary of MAHC. AvTel, upon gaining the requisite certification as a telecommunications carrier in Vermont, will eventually begin servicing the business market customers of Matrix under its own terms, conditions and rates. Accordingly, pending the approval of AvTel's petition for a CPG, neither the name of, nor the terms and conditions of service offered by Matrix, will be affected by the transaction.¹ As such, the transaction should not cause inconvenience or confusion to Matrix's customers and in fact should be virtually transparent to such customers in terms of the services that they receive. Accordingly, the transaction should not inconvenience customers within the State of Vermont. Petition at 4.

5. Completion of the proposed transaction will serve the public interest in that it will promote competition among long distance carriers by providing Matrix with the opportunity to strengthen its competitive position and to pursue its marketing and business plans more

telecommunications, the overall effect of this merger may promote more customer choice in terms of services, with stronger competitors in the Vermont telecommunications market. It should also be noted that the transfer of control will not result in any rate increase to existing customers of Matrix.

For all of the above reasons, the proposed transfer of control of Matrix to MAHC, through the holding company reorganization, should be approved.

V. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The acquisition of control of Matrix Telecom, Inc. by Matrix Acquisition Holdings Corp, is approved.
2. Petitioners shall notify the Board, within one week, upon completion of the transfer of control.
3. Petitioners shall file with the Board, within ten days of closing, a copy of the final stock purchase agreement.

DATED at Montpelier, Vermont, this 15th day of March, 2000.

s/Michael H. Dworkin)

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PUBLIC SERVICE

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s/Suzanne D. Rude)

BOARD