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December 3, 2015

## VIA ELECTRONIC FILING

Patricia Van Gerpen, Executive Director  
South Dakota Public Utilities Commission  
Capital Building  
500 East Capital Avenue  
Pierre, SD 57501-5070

### **Re: Notice of Transfer of Indirect Control of Matrix Telecom, Inc. to Garrison TNCI LLC and Related Transactions**

Dear Ms. Van Gerpen:

Garrison TNCI LLC (“Transferee”), TNCI Operating Company LLC (“TNCI OpCo”), Impact Telecom, Inc. (“Impact”) and Matrix Telecom, Inc. (“Matrix”) (collectively, the “Parties”) notify the Commission of the planned transfer of indirect control of Matrix to Transferee (the “Impact Transaction”) and related transactions. Pursuant to S.D. Codified Laws § 49-31-20, Commission approval is not required to complete the transactions described herein. Accordingly, the Parties submit this letter for informational purposes.

### **Description of the Parties**

#### **A. Garrison TNCI LLC and TNCI Operating Company LLC**

Transferee is a Delaware limited liability company and is owned by funds managed by the Garrison Investment Group,<sup>1</sup> 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.

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<sup>1</sup> The following Garrison Funds own greater than 10% of Transferee: Garrison Opportunity Fund III A LLC (approximately 64%) and GOF II A Series A-2 LLC (approximately 36%) (together, the “Garrison Funds”).

TNCI OpCo is a Delaware limited liability 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 South Dakota, TNCI OpCo is authorized to provide resold and facilities-based local exchange and interchanges telecommunications service pursuant Certificates transferred to TNCI OpCo in Docket No. TC13-038.<sup>2</sup> TNCI OpCo also holds authority from the Federal Communications Commission (“FCC”) to provide domestic interstate and international telecommunications services.

**B. Impact Telecom, Inc. and Matrix Telecom, Inc.**

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 E. 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.<sup>3</sup> 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 South Dakota, Matrix is authorized to provide (1) local exchange services pursuant to a Certificate granted in Docket No. TC07-006 and (2) resold interLATA and intrastate services pursuant to a Certificate granted in Docket No. TC91-017. Matrix also holds authority from the FCC to provide domestic interstate and international telecommunications services.

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<sup>2</sup> The Certificates were original granted to Trans National Communications International, Inc. in Docket Nos. TC05-061 and TC99-091.

<sup>3</sup> Earlier this year, Impact Telecom completed the consolidation of its operations into Matrix. This internal consolidation included (1) the transfer of Impact’s wholesale carrier and service provider customers to Matrix and (2) the transfer of Americatel Corp.’s (“Americatel”) long distance customers to Matrix. Americatel was formerly a direct subsidiary of Impact, but no longer exists as a separate corporate entity. As a result of the internal consolidation of operations, Matrix is the only Impact Telecom entity operating in Nevada.

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### **Contact Information**

Questions, correspondence or other communications concerning this filing should be directed to:

Andrew D. Lipman  
Brett P. Ferenchak  
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202-373-6000 (tel)  
202-373-6001 (fax)  
andrew.lipman@morganlewis.com  
brett.ferenchak@morganelewis.com

with a copy for Transferee to:

Joshua Brandt  
Garrison Investment Group  
1290 Avenue of the Americas  
Suite 914  
New York, NY 10104  
jbrandt@garrisoninv.com

with a copy for TNCI OpCo to:

Brian McClintock  
Chief Financial Officer  
TNCI Operating Company LLC  
114 E. Haley Street, Suite I  
Santa Barbara, California 93101  
BMcClintock@tncii.com

with a copy for Impact and Matrix to:

Alex Valencia  
Vice President, Gov't Affairs &  
Compliance  
Impact Telecom  
433 East Las Colinas Blvd.  
Suite 500  
Irving, TX 75039  
avalencia@impacttelecom.com

### **Description of the Transactions**

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 Acquisition LLC ("Acquisition") and TNCI Impact LLC ("TNCI Impact"), Acquisition will acquire all the equity of Impact. As a result, indirect ownership of Matrix will be transferred to Acquisition and Transferee will be the ultimate majority owner (90%) of Acquisition.

Before the Securities Purchase 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>4</sup>
- (2) TNCI Impact will form Acquisition, a Delaware limited liability company;
- (3) a new Delaware corporation will be formed, Newco, and will become the direct owner of Impact, with the current shareholders and warrant holders of Impact owning Newco;<sup>5</sup> and
- (4) Impact, a Nevada corporation, will convert to a Nevada limited liability company, Matrix, a Texas corporation, will convert to a Texas limited liability company.<sup>6</sup>

For the Commission's reference, Exhibit A depicts the current and post-closing entity ownership structure of the Parties.

### **Public Interest Considerations**

The Parties submit that the Impact Transaction is in the public interest. 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. Customers of the combined company will benefit from the extensive telecommunications experience and expertise of the combined company. The financial, technical, and managerial resources that Transferee and TNCI OpCo will bring to Matrix are expected to enhance the ability of Impact to compete in the telecommunications market-place. Further, the complimentary 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. Moreover, the Impact Transaction will be conducted in a manner that will be transparent to Matrix customers and any future name change or service changes will be preceded by appropriate notices to customers as well as any required regulatory filings. Following consummation of the Impact Transaction, Matrix will continue to provide high-quality communications services to its customers without interruption and without immediate change in rates, terms or conditions.

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<sup>4</sup> At closing of the Impact Transaction, Newco will be granted a 10% ownership interest in TNCI Impact.

<sup>5</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.

<sup>6</sup> Matrix will submit the conversion documents, updated qualification to transact business as a foreign entity, and other necessary documents upon completion of the conversion.

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We would appreciate acknowledgement of receipt and acceptance of this filing, which is being submitted electronically. Should you have any questions concerning this filing, please do not hesitate to contact us.

Respectfully submitted,

*/s/ Brett P. Ferenchak*

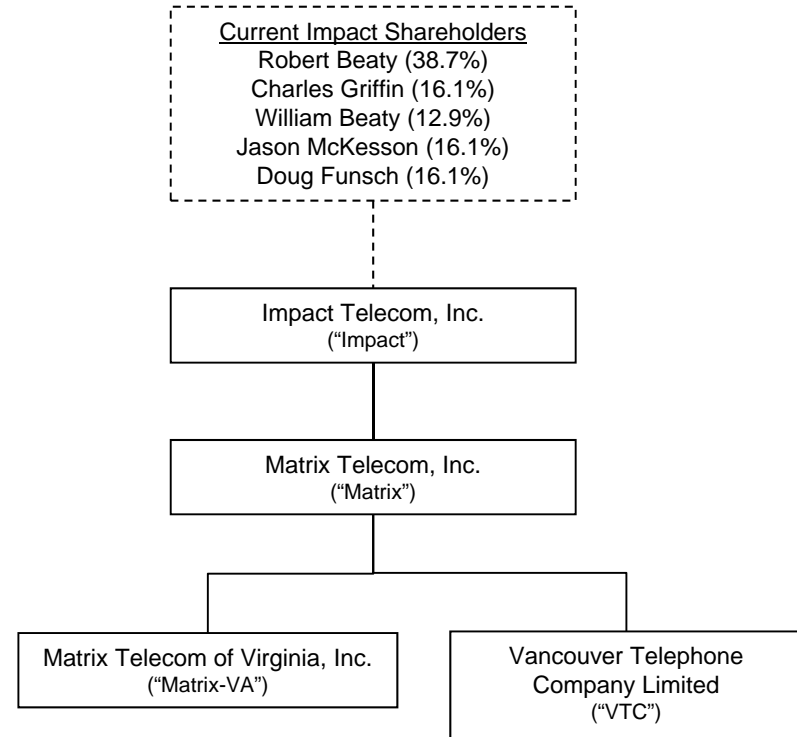
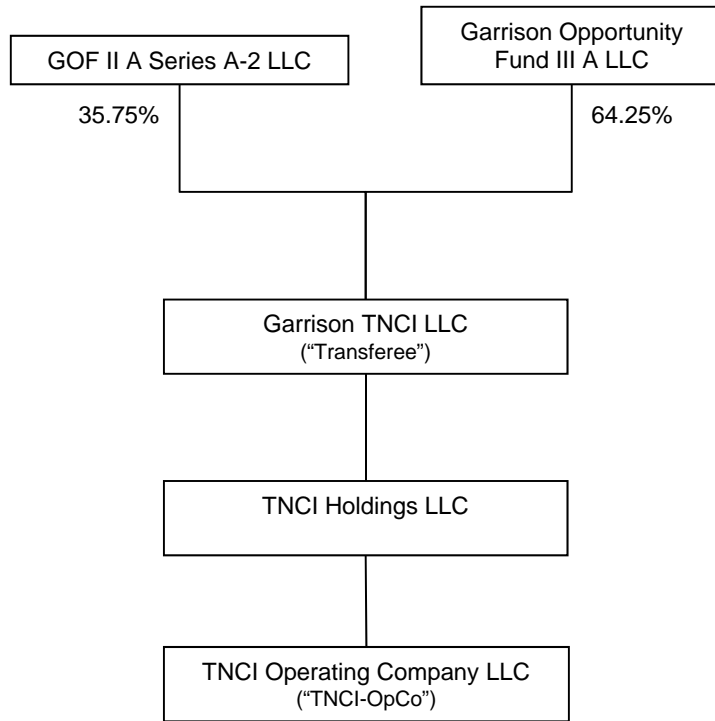
Andrew D. Lipman  
Brett P. Ferenchak

Counsel for the Parties

**EXHIBIT A**

**Current and Post-Closing Entity Ownership Structure**

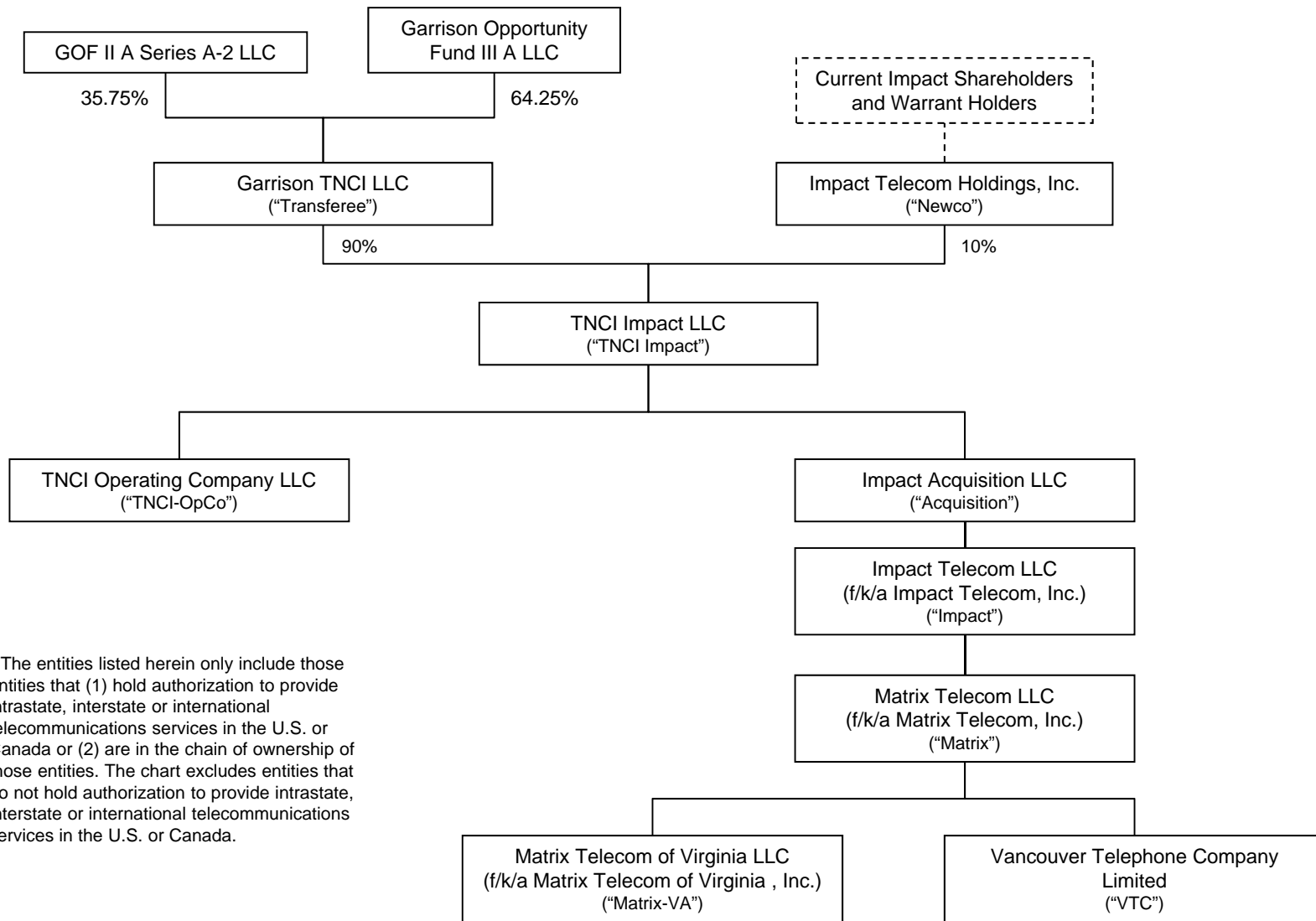
## Current Organizational Structure of Impact and TNCI OpCo\*



Unless otherwise indicated all ownership percentages are 100%.

\* The entities listed herein only include those entities that (1) hold authorization to provide intrastate, interstate or international telecommunications services in the U.S. or Canada or (2) are in the chain of ownership of those entities. The chart excludes entities that do not hold authorization to provide intrastate, interstate or international telecommunications services in the U.S. or Canada.

# Post-Closing Organizational Structure of Impact and TNCI OpCo\*



\* The entities listed herein only include those entities that (1) hold authorization to provide intrastate, interstate or international telecommunications services in the U.S. or Canada or (2) are in the chain of ownership of those entities. The chart excludes entities that do not hold authorization to provide intrastate, interstate or international telecommunications services in the U.S. or Canada.

Unless otherwise indicated all ownership percentages are 100%.



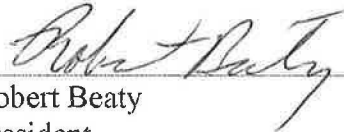
STATE OF TEXAS

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COUNTY OF DALLAS

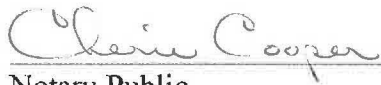
**VERIFICATION**

I, Robert Beaty, state that I am President of Impact Telecom, Inc. and Matrix Telecom, Inc. (together, the "Company"); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to the Company are true and correct to the best of my knowledge, information, and belief.



Robert Beaty  
President  
Impact Telecom, Inc.  
Matrix Telecom, Inc.

Sworn and subscribed before me this 28 day of October, 2015.



Notary Public

My commission expires 5/12/2019

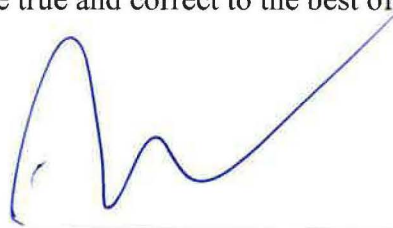


STATE OF NEW YORK  
COUNTY OF NEW YORK

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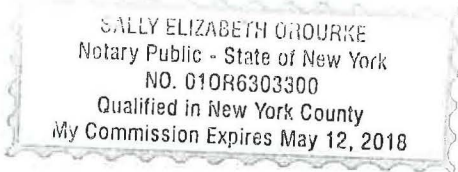
**VERIFICATION**

I, Brian Chase, state that I am CFO of Garrison TNCI LLC (the "Company"); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to the Company are true and correct to the best of my knowledge, information, and belief.



Name: **BRIAN CHASE**  
Title: **CHIEF FINANCIAL OFFICER**  
Garrison TNCI LLC

Sworn and subscribed before me this 4 day of November, 2015.



  
Notary Public

My commission expires \_\_\_\_\_

STATE OF CALIFORNIA  
COUNTY OF SANTA BARBARA

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**VERIFICATION**

I, Laura W. Thomas, state that I am Chief Executive Officer of TNCI Operating Company LLC (the “Company”); that I am authorized to make this Verification on behalf of the Company; that the foregoing filing was prepared under my direction and supervision; and that the contents with respect to the Company are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Laura W. Thomas  
Chief Executive Office  
TNCI Operating Company LLC

Sworn and subscribed before me this 28<sup>TH</sup> day of OCTOBER, 2015.

  
\_\_\_\_\_  
Notary Public



My commission expires APR. 10, 2018