

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI**

FILED³

MAR 06 2003

Missouri Public
Service Commission

Joint Application of)
Matrix Telecom, Inc. and International)
Exchange Communications, Inc.)
for Approval of the Transfer of Certain)
Assets and Related Transactions and)
a Waiver of Applicable Anti-Slamming)
Regulations.)

Case No. XM-2003-0274

**APPLICANTS' SUPPLEMENTAL PLEADING IN
RESPONSE TO ORDER DIRECTING FILING**

Matrix Telecom, Inc. ("Matrix") and International Exchange Communications, Inc. ("IECom") (collectively referred to as "Applicants") hereby file a supplemental pleading in response to the Missouri Public Service Commission's (the "Commission") Order Directing Filing dated February 14, 2003.

I. INTRODUCTION

1. Applicants filed a Joint Application for Approval of the Transfer of Certain Assets and Related Transactions and a Waiver of Applicable Anti-Slamming Regulation on February 5, 2003.

2. On February 14, 2003, the Commission issued an Order Directing Filing. This Order directs the Applicants to include a certificate from the secretary of state that shows that the applicant, as a foreign corporation, is authorized to do business in Missouri, or to reference the case in which the applicant has previously supplied such information to the Commission. Further, the Commission requested clarification as to whether the events and the contingencies that determine the Settlement Effective Date have taken place. Finally, the Order directs the applicants to provide a legible copy of the Management Services Agreement.

3. Pursuant to the Commission's Order Directing Filing, Applicants provide the following supplemental information:

II. SUPPLEMENTAL INFORMATION

4. A Certificate of Good Standing for Matrix is attached behind Tab 1.
5. Upon information and belief, Applicants believe that IECOM has filed a Certificate of Good Standing in In the Matter of the Application of International Exchange Communications, Inc., d/b/a IE COM for a Certificate of Service Authority to Provide Interexchange Telecommunication Services and for Competitive Classification in the State of Missouri, Case No. TA-2000-196.
6. Applicants state that the Effective Settlement Date and all the contingencies associated therewith has passed.
7. A legible copy of the Management Services Agreement is attached behind Tab 2.
8. WHEREFORE, Applicants respectfully request that the Commission consider this supplemental information.

Respectfully Submitted,

SONNENSCHN NATH & ROSENTHAL

Handwritten signature of Trina R. LeRiche in cursive script, followed by the initials 'Jkm'.

Mark P. Johnson, Esq. MO #30740

Trina R. LeRiche, Esq. MO #46080

Lewis E. Melahn, Esq. MO #

4520 Main Street, Suite 1100

Kansas City, MO 64111

Telephone: (816) 460-2400

Facsimile: (816) 531-7545

email: Mjohnson@sonnenschein.com

TleRiche@sonnenschein.com

LMelahn@sonnenschein.com

ATTORNEYS FOR MATRIX TELECOM, INC.
AND INTERNATIONAL EXCHANGE
COMMUNICATIONS, INC. d/b/a IECOM

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 6th day of March, 2003, two true and correct copies of the above and foregoing was mailed, postage prepaid, to:

Office of Public Counsel
P.O. Box 7800
200 Madison Street, Suite 600
Jefferson City, MO 65102

With one copy being mailed postage prepaid, on the same date to:

Office of General Counsel
Missouri Public Service Commission
200 Madison Street, Suite 800
P.O. Box 360
Jefferson City, MO 65102


ATTORNEYS FOR APPLICANTS

No. F00399876

STATE OF MISSOURI



Matt Blunt
Secretary of State

CORPORATION DIVISION

CERTIFICATE OF CORPORATE GOOD STANDING - FOREIGN CORPORATION

I, MATT BLUNT, Secretary of State of the State of Missouri,
do hereby certify that the records in my office
and in my care and custody reveal that


MATRIX TELECOM, INC.

using in Missouri the name

MATRIX TELECOM, INC.

a TEXAS corporation filed its Evidence of Incorporation
with this State on the 18th day of AUGUST, 1994, and is in
good standing, having fully complied with all requirements
of this office.

IN TESTIMONY WHEREOF, I have set my
hand and imprinted the GREAT SEAL of
the State of Missouri, on this, the
18th day of FEBRUARY, 2003.


Secretary of State



MANAGEMENT SERVICES AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT ("Agreement") is made and entered into as of January 5, 2000 (the "Effective Date"), by and between International Exchange Communications, Inc. ("IECOMM"), and Matrix Telecom, Inc. ("Matrix").

BACKGROUND

WHEREAS, IECOMM and Matrix desire to negotiate and enter into an Asset Purchase Agreement (the "Purchase Agreement"), pursuant to which Matrix will purchase certain of the assets of IECOMM as set forth in Exhibit A hereto (the "Assets") for a contemplated amount equal to 1.5x December 2000 revenues generated; and

WHEREAS, until such time as the Assets have been transferred to Matrix pursuant to the Purchase Agreement, IECOMM desires to utilize Matrix's services on an exclusive basis to manage the operation of the Assets; and

WHEREAS, Matrix desires to provide the services to IECOMM on the terms and subject to the conditions stated herein.

NOW, THEREFORE, IECOMM and Matrix, in consideration of the mutual promises hereinafter set forth, do hereby promise and agree as follows:

1. **Appointment of Matrix.** IECOMM hereby appoints Matrix as the sole and exclusive provider of all services necessary or appropriate for the supervision and management of the Assets, as described more fully in Section 2 (the "Services"). Matrix hereby accepts such appointment on the terms and subject to the conditions stated herein.

2. **Scope of the Services.** Commencing with the date hereof and continuing during the Term of this Agreement, Matrix shall use its best efforts to establish and implement operational policies and provide sole management of the Assets, including general supervision, direction and control of said Assets. Without limiting the foregoing, Matrix shall maintain IECOMM's relationships with the customers included in the Assets (including, but not limited to, providing long distance service, provisioning, billing, collection, customer complaints and customer contact) and shall manage and account for the customer receivables included in or derived from the Assets. Matrix does not represent or guarantee that management of the Assets will be profitable, and IECOMM acknowledges that the Assets may deteriorate or erode under Matrix's management.

3. **Responsibilities of IECOMM.** Commencing with the date hereof and continuing until termination of this Agreement as provided herein, IECOMM shall assist and fully cooperate with Matrix as is reasonably requested by Matrix in relation to Matrix's performance of the Services. Without limiting the foregoing, IECOMM shall undertake the following responsibilities under the supervision of Matrix or its agents or assigns:

- (a) IECOMM shall provide Matrix with the Assets, including all related information and materials in its possession, which are necessary to enable Matrix to provide the Services, at any reasonable location that Matrix shall designate.
- (b) IECOMM shall be responsible for all taxes, fees, carrier costs and other expenses related to activity or revenue generated and billed prior to the Effective Date, regardless of when such taxes, fees, except for USF billed subsequent to December 31, 2000, carrier costs or other expenses are due or owing.
- (c) IECOMM shall perform any acts reasonably necessary to maintain and preserve the Assets, pursuant to and in accordance with the supervision and direction of Matrix excluding those acts, which are to be performed by Matrix in connection with the Services.
- (d) IECOMM shall continue to communicate with third parties pursuant to the supervision and direction of Matrix, including responding to inquiries, requests and correspondence.

- (e) IECOMM shall promptly inform Matrix and provide Matrix with copies of all correspondence and communications relating to the Assets.
- (f) At the request of Matrix, IECOMM shall timely exercise whatever rights it has relating to the Assets, including but not limited to its rights (whether in law or equity) with respect to breach, termination, set-off, indemnity, waiver, sub-contracting and assignment.

4. Responsibilities of Matrix. Commencing with the date hereof and continuing until termination of this Agreement as provided herein, Matrix shall undertake the following responsibilities:

- (a) Matrix shall perform all Services to the best of its ability and in a manner reasonably consistent with its past practices.
- (b) Matrix shall be responsible for and pay all taxes, fees, carrier costs and other expenses related to activity or revenue generated after the Effective Date.
- (c) Matrix shall inform IECOMM of all material regulatory communications and cooperate with all regulatory filings.
- (d) Matrix shall inform IECOMM of all material customer complaints and the steps taken by Matrix to resolve said complaints.
- (e) Upon request, Matrix shall provide IECOMM with any management reports it may reasonably request.

5. Additional Covenants. The parties agree that:

- (a) "Toll Free" Telephone Numbers. During the Term, Matrix shall have the sole and exclusive right to use the "toll free" telephone numbers set forth on Exhibit B.
- (b) Carrier Identification Code(s). IECOMM represents and covenants that it owns all right, title and interest in and to the Carrier Identification Code(s) listed on Exhibit A, and that such Code(s) shall be used during the Term exclusively by Matrix in the management and service of the customers included in the Assets.

6. Independent Contractor Status. Matrix is an independent contractor in the performance of the Services under this Agreement and shall determine the method, details and means of performing the Services. Without limiting the generality of the foregoing, Matrix shall be permitted, in its sole discretion, to (i) enter into and perform contracts and agreements in its own name for the furnishing of services, equipment, parts and supplies in connection with the Services, and (ii) recruit, hire and terminate the services of any of its employees and independent contractors who perform services in connection with the Services. Matrix shall solely establish the terms and conditions of employment for all of its employees and shall pay all salaries and other compensation due such employees. Matrix is not an agent of IECOMM and has no authority whatsoever to bind IECOMM by contract or agreement of any kind.

7. Compensation. As compensation for the Services, Matrix shall have the right to retain all net profits associated with the Assets during the Term, except that:

- (a) Matrix shall pay to IECOMM a royalty of six and one-half percent (6.5%) of all revenue generated and collected after the Effective Date, not to exceed one and one-half (1.5) times December, 2000 revenue.
- (b) Such royalty payments shall be due and payable no later than thirty (30) days after such revenue has actually been collected.
- (c) Any amount Matrix is required to pay for taxes, fees, fines, costs, liens or any other expense for activity or revenue generated prior to the Effective Date may be deducted from any such royalty payment.
- (d) Any amount Matrix is required to pay to facilitate moving the customer base to a new underlying carrier(s) may be deducted from any royalty payment due hereunder.

8. Accounts Receivable Processing. On the Effective Date, IECOMM will transfer to Matrix control of all lockbox and other bank accounts used for collection and processing of customer payments and related activity, as described in Exhibit A. After the Effective Date, Matrix shall collect and process all payments, holdbacks, reserves, credits, refunds and related payments. Matrix shall pay to IECOMM eighty percent (80%) of all payments received for Direct billings generated prior to the Effective Date, net of bad debts, credits and refunds. Such payments shall be due and payable weekly, within ten (10) days

of collection. Any LEC payments remitted for billings prior to the effective date will be remitted directly to IECOMM within 5 business days. Matrix shall also provide PGE with a weekly accounting of the collection and processing of all payments, holdbacks, reserves, credits, refunds and related payments.

9. Expenses. Matrix shall bear all costs and expenses incurred in connection with providing the Services. Except as may be otherwise specifically provided herein, the parties hereto shall pay their own legal fees and expenses incurred in connection with the negotiation and consummation of the transactions contemplated by this Agreement.

10. Term. The term of this Agreement (the "Term") shall commence on the date hereof and shall continue until the earlier of (i) the closing of the transactions contemplated by the Purchase Agreement (the "Closing"), or (ii) 120-days after written notice of intent to terminate by either party. Upon the termination of this Agreement, neither party shall be further obligated under this Agreement except for the parties' respective indemnification obligations set forth herein. In the event that this Agreement terminates without closing of the Purchase Agreement, Matrix agrees that it will use its best efforts to return all assets and operational materials in its possession to IECOMM in a manner permitting seamless continuation of service to the customer base.

11. Indemnification of Matrix.

11.1 IECOMM agrees to, and hereby does, fully indemnify, defend and save and hold Matrix harmless at all times in the event that Matrix shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with, or shall pay or become obligated to pay any sum on account of IECOMM's performance or non-performance of obligations under this Agreement (an "Event of Matrix Indemnification").

11.2 Whenever any claim shall arise for indemnification pursuant to Section 11.1, above, Matrix shall promptly notify IECOMM of the claim and when known, the acts constituting the basis for such claim, provided that failure of Matrix to provide IECOMM with such notice shall not excuse or affect IECOMM's indemnification obligations under Section 11.1, above, except to the extent that the failure to provide such notice shall actually prejudice IECOMM. In the event IECOMM shall become obligated to Matrix pursuant to Section 11.1, above, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which IECOMM may become obligated to Matrix thereunder, IECOMM shall have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel reasonably acceptable to Matrix. In the event IECOMM so elects to defend or contest, Matrix shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of IECOMM and its counsel. In the event IECOMM elects not to defend, contest or otherwise protect against any action, investigation, claim or proceeding, Matrix shall have the right, at IECOMM's expense, to pursue any such defense, contest or protection.

12. Indemnification of IECOMM.

12.1 Matrix agrees to, and hereby does, fully indemnify, defend and save and hold IECOMM harmless at all times in the event that IECOMM shall at any time or from time to time suffer any damage, obligation, liability, loss, cost, expense, claim, settlement or cause of action (including all reasonable attorneys' fees) arising out of, resulting from or in connection with the performance or non-performance of the Services; provided, however, any such damages, obligations, liabilities, losses, costs, expenses, claims, settlements, or causes of action do not arise out of, result from or be attributable to an Event of Matrix Indemnification.

12.2 Whenever any claim shall arise for indemnification pursuant to Section 12.1, IECOMM shall promptly notify Matrix of the claim and, when known, the facts constituting the basis for such claim, provided that failure of IECOMM to provide Matrix with such notice shall not excuse or affect Matrix's indemnification obligations under Section 12.1, except to the extent that the failure to provide such notice shall actually prejudice Matrix. In the event Matrix shall become obligated to IECOMM pursuant to Section 12.1, or in the event that any suit, action, investigation, claim or proceeding is begun, made or instituted as a result of which Matrix may become obligated to IECOMM thereunder, Matrix shall

have the right to defend, contest or otherwise protect against any such suit, action, investigation, claim or proceeding by one or more counsel of its choice reasonably acceptable to IECOMM. If Matrix so elects to defend or contest, IECOMM shall have the right, at its expense, to participate in such defense, but such defense shall at all times be conducted by and under the control of Matrix and its counsel. In the event Matrix elects not to defend, contest or otherwise protect against any such suit, investigation, claim or proceeding, IECOMM shall have the right, at Matrix's expense, to pursue any such defense, contest or protection.

12.3 If the contemplated Closing does not occur and this Agreement is terminated according to Section 10(ii), Matrix shall be liable for, shall pay or cause to be paid and shall indemnify and hold IECOMM and its affiliates and all of their officers, directors and agents, harmless from and against any and all losses, claims, damages, liabilities, costs, expenses (including reasonable attorneys' fees and the cost and expenses of enforcing such indemnification against Matrix), interest and penalties, if any, arising out of or based upon or for or in respect of each of the following: (i) any and all income Taxes or franchise or other Taxes measured by net income with respect to the Assets (computed on a stand alone basis) for any taxable period (or partial period) commencing after the date hereof and continuing through the termination of this Agreement; (ii) any and all other Taxes with respect to the Assets for any Tax period commencing after the date hereof and continuing through the termination of this Agreement.

13. Notices. All notices, requests, demands and other communications made under this Agreement shall be in writing and shall be deemed given upon (a) confirmation of receipt of a facsimile transmission, (b) confirmed delivery by a standard overnight carrier or when delivered by hand, or (c) the expiration of three (3) business days after the day when mailed by registered or certified mail (postage prepaid, return receipt requested), addressed to the respective parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to Matrix, to:

MATRIX TELECOM, INC.
300 N. Meridian
Oklahoma City, OK 73107
Phone: 405-951-9300
Fax: 405-951-9449

If to IECOMM, to:

International Exchange Communications, INC.
500 Airport Blvd, Suite 340
Burlingame, CA 94010
Phone 650-558-3163
Fax 650-675-6799

14. Entire Agreement. This Agreement and any agreements between or among the parties hereto of even date herewith constitute the entire agreement among the parties hereto relating to the subject matter hereof, and all prior agreements, correspondence, discussions and understandings of the parties (whether oral or written) are merged herein and superseded hereby, it being the intention of the parties hereto that this Agreement and the instruments and agreements contemplated hereby shall serve as the complete and exclusive statement of the terms of their agreement together. No amendment, waiver or modification hereto or hereunder shall be valid unless in writing signed by an authorized signatory of the party or parties to be affected thereby.

15. Assignment. This Agreement and the rights hereunder shall not be assignable or transferable (i) by Matrix without the prior written consent of IECOMM, except to an affiliate of Matrix or to a financial institution in connection with a financing related to this Agreement, or (ii) by IECOMM without the prior written consent of Matrix. The duties and obligations of a party hereunder shall not be delegable without the prior written consent of the other parties hereto.

16. Binding Effect. This Agreement shall be binding upon the parties hereto and their respective successors and permitted assigns.

17. Section Headings. The headings in this Agreement are for purposes of convenience and ease of reference only and shall not be construed to limit or otherwise affect the meaning of any part of this Agreement.

18. Severability. The parties agree that if any provision of this Agreement shall under any circumstances be deemed invalid or inoperative, this Agreement shall be construed with the invalid or inoperative provision deleted, and the rights and obligations of the parties shall be construed and enforced accordingly.

19. Applicable Law. All complaints and interpretation of this Agreement and all questions arising in connection herewith shall be governed by and construed in accordance with the internal laws of the State of Oklahoma without regard to the principles of conflicts of laws thereunder.

20. Counterparts. This Agreement may be executed in one or more original or facsimile counterparts, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been executed by each of the parties and delivered to the other parties.

21. Use of Terms. In this Agreement, (i) the words "thereof," "herein," "hereto," "hereunder" and words of similar import mean and refer to this Agreement as a whole and not merely to the specific section or clause in which the respective word appears, (ii) words importing gender include the other genders as appropriate and (iii) any terms defined in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

22. Facsimile Copy. This Agreement may be executed in facsimile copy with the same binding effect as an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day, month and year first above written.

International Exchange Communications, Inc.

By: _____

Printed: _____

Title: _____

Date: _____

MATRIX TELECOM, INC.

By: _____

William C. Bricking
Senior Vice President

Date: _____

Exhibit A - Assets

1. All of IECOMM's retail customer base, including but not limited to the following:
approximately 30,000 customer accounts receiving 1+, calling card, or toll-free services.
2. All data, databases, documentation, customer records, end-user call records for the past two years, credit information, correspondence, contracts, letters of authority, customer subscription contracts, informal and formal Public Utility and FCC complaints, etc., related to the Assets described herein.
3. All accounts receivable, notes receivable, customer receivables or other sums due to IECOMM for Direct billed service relating to the Assets prior to the Effective Date. Said amounts shall include Direct billed traffic remaining unbilled to the end-user on the Effective date in accordance with past billing practices.
4. Carrier Identification Code 0597, 0025, 5734, 5464, 5318 & 6822
and corresponding ACNA(IXH for all 6 CIC's)
5. All of IECOMM's used or reserved toll-free telephone numbers, including but not limited to those set forth in Exhibit B.
6. Perpetual right to use IECOMM's name, logos, trade or service marks, etc., which have been associated with the customer base.
7. Any assets of the type described above which are acquired after the date hereof.
8. All IECOMM lockboxes and bank accounts used to receive customer and LEC payments. Each account will have a reconciled zero balance except for all deposits and receipts from and after the Effective Date.

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Exhibit B - Toll-Free Phone Numbers

800 966-6106

800 966-6166

800 589-6812

888 455-5461

800 322-0964

888 387-7722

800 322-0960

800 360-1289

800 253-1289

800 232-9732

800 810-9750