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July 19, 2002

VIA FACSIMILE

Arizona Corporation Commission

DOCKETED

JUL 19 2002

Mr. John Bostwick
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

DOCKETED BY 

Re: *Xspedius Management Co. of Pima County, L.L.C.:*
CC&N Application - Docket No. T-04112A-02-0451

Xspedius Management Co. Switched Services, L.L.C.
CC&N Application - Docket No. T-04113A-02-0452

Dear Mr. Bostwick:

In response to your request for supplemental information on the applicants in the two-above-captioned dockets, I have enclosed:

1. Pro forma income statements for both applicants. These statements set forth anticipated revenues and expenses over the first twelve (12) months of operation. Moreover, as I previously indicated in my July 12, 2002 letter, the Arizona jurisdictional assets for the two operating entities are:

Xspedius Switched Services	\$2,384,970
Xspedius of Pima County	\$13,628,628

2. A letter confirming that Xspedius Management Co., L.L.C. will be funded with \$75 million and will receive additional financial support from Thermo Telecom Partners, LLC. Information on Thermo is also enclosed. Xspedius Management Co., L.L.C. is the parent company of the two applicants. As previously noted, Xspedius Management Co., L.L.C. will provide financial support for the two applicants. The two applicants are recently formed entities and do not have historical balance sheets.

Please call me if you have any questions. Thank you for your assistance in this matter.

Respectfully Submitted,

Michael W. Patten

ROSHKA HEYMAN & DEWULF

Mr. John Bostwick

July 19, 2002

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cc: Teena Wolfe, ALJ Hearing Division (hand-delivered w/enclosures)
Jason Gellman, ACC Legal Division (teletyped w/enclosures)

ATTACHMENT A

Pro Forma Income Statements

Xspecinus Management Co. Switched Services, LLC

Income Statement

Projected July 1, 2002 - June 30, 2003

	July	August	September	October	November	December	January	February	March	April	May	June	12 Months Ended 30-Jun-03
Revenue:													
Total Net Revenues	592,877.64	585,481.39	649,059.33	645,036.62	626,349.20	619,589.35	555,670.95	504,162.88	512,666.90	489,141.11	476,255.20	477,895.13	6,734,186.40
Network Costs:													
Total Network Costs	169,811.04	55,245.88	84,384.42	54,037.67	172,512.80	207,939.53	124,844.99	(10,606.60)	92,571.61	177,960.36	102,318.00	117,494.06	1,308,713.74
Operating Expenses:													
Total Operating Expenses	145,694.73	176,448.09	183,693.99	139,305.68	149,465.00	125,227.97	145,242.93	117,778.10	102,195.82	113,272.82	223,098.43	119,870.57	1,739,294.15
Depreciation and Other Income/ Expenses:													
Total Depreciation and Other Income/Expenses	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	192,500.00	2,310,000.00
NET INCOME (LOSS)	86,871.88	161,287.42	188,480.91	239,193.27	111,872.10	99,921.85	93,083.03	204,491.37	165,399.47	5,407.93	(41,861.23)	48,030.50	1,376,178.30

ATTACHMENT B

Funding Letter

THERMO

CAPITAL PARTNERS, LLC
COGENERATION, L.P.
DEVELOPMENT, INC.
PROPERTIES, LLC
UNITED, L.P.

This letter summarizes the equity commitment of Thermo Telecom Partners, LLC (“Thermo”) to Xspedius Management Co., LLC (“XMC”). As a result of the bankruptcy process which culminated in a US Bankruptcy Court order, e.spire Communications, Inc. and certain other affiliated entities (collectively, “e.spire”), agreed to convey, assign, and transfer to XMC and to certain entities related to XMC, substantially all of the assets and properties of e.spire in exchange for approximately \$68 million of consideration of which \$18 million was in cash and \$50 million was in the form of a limited recourse note. Thermo has also committed to provide additional cash equity to support XMC for self-sufficiency and growth.

Thermo has agreed to provide up to \$75 million to XMC, comprised of the initial \$18 million above and \$57 million thereafter to fund the transaction and the working capital needs of XMC, respectively. Thermo is currently funding all of XMC’s operations and working capital requirements.

Thermo's obligation to contribute the Thermo subscription amount in full is absolute and unconditional.

Thermo’s ability to meet its financial obligation to XMC is supported by The Thermo Companies. The Thermo Companies are a highly successful group of companies focused on industrial, power generation, natural resources, and real estate. Collectively the Thermo Companies have greater than \$225 million in annual revenues and more than \$500 million in total assets.

The Thermo Companies are private companies and as such do not publish financials.

For additional information about Thermo, please contact Jim Lynch at Thermo Capital Partners, LLC (914) 576-7357 or jim@thermoco.com.

THERMO

CAPITAL PARTNERS, LLC
COGENERATION, L.P.
DEVELOPMENT, INC.
PROPERTIES, LLC
UNITED, L.P.

Overview

Thermo Capital Partners LLC (“TCP”) or (“the Company”), headquartered in New Orleans, La., was formed to provide growth capital to small and medium sized companies. TCP believes that the consolidation of the financial services and banking industries is not adequately serving small and medium sized businesses and anticipates that the trend will continue with the further globalization of the financial services industry. The firm is interested in areas where it sees significant opportunity and has strong capabilities, proprietary deal flow and an excellent reputation. The Company chose New Orleans as its headquarters because it believes that the mid-South has been underserved and recognizes the positive growth factors in the region. TCP is interested in providing capital to proven management groups who require strategic capital for organic growth, acquisitions or changes in ownership. TCP is focused on investments from \$1 to \$20 million in business services and manufacturing for both industrial and technology companies. In exchange for its investment, TCP expects a majority investment position and significant ownership in the venture. Historically, TCP has worked closely with its management teams serving as an experienced resource in strategic and financial decisions and in responding constructively to market changes. TCP and its affiliated companies have successfully employed a strategy of management autonomy and have structured incentives to align shareholder and management interests. TCP works with management to set realizable milestones which are critical steps in achieving the broader strategic goals. These milestones incorporate performance measures and associated economic incentives that create near term and long-term opportunity for management.

James (“Jay”) Monroe III and James F. (“Jim”) Lynch formed TCP. Together they represent over 40 years of startup, operations and financial expertise across a broad range of industries. The two have worked together in various capacities for the past twelve years. Jay is the founder of the Thermo Companies based in Denver, Colorado. The Thermo Companies (collectively the “Thermo Companies” or “Thermo”) are a highly successful group of companies focused on industrial, power generation, natural resources, and real estate. Collectively the Thermo Companies have greater than \$225 million in

annual revenues and more than \$500 million in total assets. Thermo's success is a function of its agility, lean management philosophy and depth of focus in its chosen industries. Jim has worked in investment banking and in industry. For the past 13 years he has worked with Kidder, Peabody, PaineWebber and most recently was a Managing Director with Bear Stearns. He has worked primarily with industrial and energy companies and has financed and advised on over \$15 billion of transactions with industrial growth companies such as Delphi Corporation, Lear Corporation, and Georgia Pacific and with private equity firms such as Blackstone, KKR and Vestar.

The Thermo Companies are organized into four groups: Industrial, Power Generation, Natural Resources and Real Estate. An overview of their activities follows:

Industrial

TCP has made three investments to date. The first investment supported a management team in acquiring a platform company. The latter two investments were made into funds and were done for strategic reasons, including the right to make additional direct investment in the respective portfolio companies. This permits TCP to evaluate multiple opportunities in situations where the funds have already conducted due diligence in both the company and the sector. TCP is committed to providing additional growth capital as necessary to its companies and as such is actively working with the respective management teams on strategic growth opportunities.

- United Engines LLC. During 2001, Thermo and a senior management team made a \$10 million investment to purchase two related companies, United Engines and UE Manufacturing (collectively "United"), in the diesel engine distribution and power transmission businesses. United sells engineered equipment, parts and service to numerous markets including transportation, drilling, power generation and oil field services. Combined revenues for this year will be \$60 million and are expected to continue to show a top line growth rate of greater than 30%. The three-member management team and 20% ownership group were previously senior managers at Stewart and Stevenson Services including its past President/CEO, Senior Vice President for Distributor Operations and Vice President of Manufacturing. Thermo has a 15-year working history with this group spanning multiple business ventures. United is expanding into related businesses that add value to the existing distribution and service businesses through technology solutions and cost efficiencies as well as additional equipment and service offerings in other distribution territories.
- Meritage Private Equity Fund, L.P. ("Meritage") Meritage provides private equity to companies focused on communications networks and communications services with areas of focus in broadband, wireless and outsourced services. The fund is primarily an investor in early stage growth companies. Thermo has also made direct co-investments in one of the Meritage portfolio companies.

- Prudential Capital Partners, L.P. (“PCP”) PCP is a \$500 million mezzanine fund with exclusive access to Prudential Capital Group’s mezzanine deal network. The fund is focused on the middle market with a preference for manufacturing and service companies and has a fundamental value orientation, which stands to benefit from the disruptions in the high yield bond market. Public high yield investors are demanding increased liquidity in their investments. The resulting increased size of current high yield offerings precludes smaller, high quality companies from accessing junior debt capital. PCP has access to many of these companies through its proprietary network and believes the investment opportunities to be attractive and abundant. Thermo believes that its long-term relationship with Prudential, shared investment strategy and its investment in PCP will provide it with attractive investment opportunities. Thermo is currently evaluating direct investment opportunities in certain PCP portfolio companies.

Power Generation

Since beginning operations in 1984, Thermo has accomplished the following:

- Developed and own the 76 megawatt University of Northern Colorado Cogeneration project with annual revenues of \$40 million. The project utilizes two Stewart and Stevenson packaged GE LM-5000 engines and began operations in 1988. The company was capitalized at \$60 million of which \$48 million was provided on a non-recourse basis by Prudential Capital.
- Developed, constructed, owns and operates two power generation projects known collectively as the 272 megawatt Fort Lupton Projects consisting of five Stewart and Stevenson packaged GE LM-6000 gas turbines which began operation in 1994. This company has annual revenues of \$75 million and was capitalized at \$240 million of which \$227 million was provided non-recourse by Prudential Capital and a consortium of commercial banks led by Fuji Bank. Heller Financial provided mezzanine debt.
- Developed, constructed, own and operate the 32-megawatt Monfort Cogeneration project, which entered commercial operation in 1996 utilizing GE LM-6000 turbine technology. This company was capitalized at approximately \$25 million of which \$20 million was provided on a non-recourse basis by US Bank.

Natural Resources

Since commencement of operations in the late 1980s, Thermo Fuels, Inc. (“Thermo Fuels”) has accomplished the following:

- Thermo Fuels grew from nothing, through drilling and acquisition, to approximately 150 wells and 560 billion cubic feet of gas reserves and an additional 1,000 locations leased and available to drill. The estimated total enterprise value is \$50 million.

- Thermo Gas Marketing, Inc. (“Thermo Gas Marketing”) was established in 1993 in order to purchase and resell natural gas to Thermo’s power generation facilities and to enter into hedges, swaps and exchanges of gas for the facilities. Thermo Gas Marketing typically moves about 20 million cubic feet of gas per day.
- Through other owned or controlled entities Thermo has built gathering systems to move natural gas from the wellhead to interstate transportation systems in order to support all facets of its gas supply needs for power generation.

Real Estate

Since the mid-1990s Thermo Development, Inc. (“Thermo Development”) has accomplished the following:

- The acquisition, redevelopment and partial resale of two city blocks in the Lower Downtown area of Denver, Colorado contiguous to the newly constructed Coors Field. What were initially a cold storage warehouse, vacant lots and derelict buildings have become two residential loft projects of 90 and 18 units, multiple restaurants, nightclubs, Thermo’s corporate offices and a new 180,000 square foot office tower. The total value of all projects combined approaches \$115 million.
- The acquisition, redevelopment and partial resale of one and a half blocks in the financial core of downtown Los Angeles. What began as parking lots, a 1920’s class C office building, and boarded up four and twelve story commercial buildings are now being renovated into a new Marriott hotel, residential loft units and Thermo will construct, on the vacant land, new residential lofts which are to be for sale and for rent. The approximate acquisition and construction cost is \$200 million.
- Thermo Development also provided a \$17 million letter of credit used as equity to facilitate the sale of tax-free bonds to build the aquarium known as Colorado’s Ocean Journey. The \$93 million aquarium is dedicated to educational and environmental issues and was built on 17 acres of land proximate to Thermo’s other lower downtown Denver projects.
- Thermo has also constructed and leased to a third party a roughly one million square foot greenhouse and packing facility on land next to Thermo’s Fort Lupton power generation facility. Recently the greenhouse expanded by another 800,000 square feet resulting in approximately 40 acres under glass. These two greenhouses together required about \$20 million of capital much of which was provided by Prudential Capital.

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