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ISAR** INC.
TRUSTED ADVISORS



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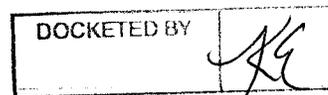
January 15, 2016

Docket Control Center
Arizona Corporation Commission
1200 W. Washington Street, Room 108
Phoenix, Arizona 85007-2996

Arizona Corporation Commission

DOCKETED

JAN 19 2016



ATTN: Matthew Connolly

Re: Staff's First Set of Data Requests to X5 OpCo LLC, Docket No. T-20946A-15-0384

Dear Sir/Madam:

X5 OpCo LLC submits to the Arizona Corporation Commission an original and thirteen (13) copies X5 OpCo LLC's responses to Staff's Second Set of Data Requests in the above referenced matter.

Thank you for your attention to this matter. Questions may be directed to the undersigned.

Sincerely,

MILLER ISAR, INC.

Andrew O. Isar

Regulatory Consultants to
X5 OpCo LLC and

Enclosures

STAFF'S FIRST SET OF DATA REQUEST TO
X5 OPCO LLC ("X5")
DOCKET NO. T-20946A-15-0384
January 6, 2016

STF 2.1 As discussed, please provide updated YE 2015 financials

Response: Applicant's updated financials are being finalized following the closing of the fourth quarter financials. The most current financial statements are attached. The Company reiterates its request that the confidentiality of its financial information be maintained to the greatest degree possible.

STAFF'S FIRST SET OF DATA REQUEST TO
X5 OPCO LLC ("X5")
DOCKET NO. T-20946A-15-0384
January 6, 2016

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X5 OpCo Financial Reporting

	Summary Financials										
	Jan-15	Feb-15	Mar-15	March Stub	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	YTD
Income Statement	(Non GAAP)			March 25-31							
MRR											
Monthly Recurring Revenue - Other (MRR)	369,731	362,840	382,683	86,751	378,758	351,067	344,649	346,413	348,646	346,555	3,318,092
Monthly Recurring Revenue - Usage (MRR)	1,012,612	1,125,492	1,139,913	305,861	1,217,050	1,190,111	1,101,431	1,279,548	1,312,918	1,253,971	10,938,907
Nonrecurring Revenue (NRR)	14,652	5,111	3,675	330	17,865	9,971	6,393	4,349	2,777	6,944	72,067
Other	251,279	318,587	133,976	48,985	188,181	170,002	186,040	199,119	186,626	187,867	1,870,661
Total Revenue	1,648,274	1,812,030	1,660,247	441,927	1,801,853	1,721,152	1,638,512	1,829,429	1,850,967	1,798,337	16,199,727
COGS Salary, Taxes and Benefits	66,705	69,580	83,395	19,039	85,322	86,442	82,476	81,894	88,583	87,302	750,739
COGS - Usage	483,043	525,014	621,436	130,113	713,945	664,049	578,156	718,648	766,455	712,725	5,913,584
Other COGS	574,088	632,308	486,683	41,018	531,237	451,745	505,809	524,440	516,863	503,140	4,767,331
Cost of Goods Sold	1,123,836	1,226,902	1,191,514	190,171	1,330,506	1,202,236	1,166,442	1,324,982	1,371,901	1,303,166	11,431,654
% Margin	68.2%	67.7%	71.8%	43.0%	73.8%	69.9%	71.2%	72.4%	74.1%	72.6%	70.6%
Gross Profit	524,438	585,128	468,733	251,756	471,348	518,916	472,070	504,447	479,066	495,171	4,768,072
% Margin	31.8%	32.9%	28.2%	57.0%	26.2%	30.1%	28.8%	27.6%	25.9%	27.4%	29.4%
Selling	85,515	90,836	107,441	21,184	108,687	124,647	145,833	133,653	124,357	140,833	1,082,986
General & Administrative	245,885	187,514	203,585	48,987	191,906	211,813	191,678	200,341	216,792	188,552	1,887,054
Total S,G&A	331,400	278,350	311,026	70,171	300,593	336,460	337,511	333,994	341,149	329,385	2,970,039
% Margin	20.1%	15.4%	18.7%	15.9%	16.7%	19.5%	20.6%	18.3%	18.4%	18.3%	18.3%
EBITDA	193,037	306,778	157,708	181,888	170,755	182,466	134,689	170,463	137,916	162,786	1,798,033
% Margin	11.7%	16.9%	9.5%	41.1%	9.5%	10.6%	8.2%	9.3%	7.5%	9.1%	11.1%
Adj. EBITDA	222,471	321,784	198,016	198,252	187,422	191,668	134,689	170,463	137,916	162,786	1,925,326
% Margin	13.5%	17.8%	11.9%	44.9%	10.4%	11.1%	8.2%	9.3%	7.5%	9.1%	11.9%
Depreciation			13,357	2,055	11,157	12,323	15,097	13,486	15,222	15,227	97,924
Interest Expense			146,482	19,086	69,466	55,208	70,054	72,334	74,203	74,000	580,833
M&A Activity				1,385	22,867	48,535	13,005	23,868	56,809	24,746	191,214
Management Fee			3,763	3,836	16,667	-	19,145	19,145	24,631	19,145	106,333
Net Income	222,471	306,778	(8,895)	168,223	60,599	66,389	17,268	41,620	(32,949)	29,668	851,163
% Margin	13.5%	16.9%	(0.4%)	35.1%	2.8%	3.9%	1.1%	2.3%	(1.8%)	(1.2%)	5.3%

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STAFF'S FIRST SET OF DATA REQUEST TO
X5 OPCO LLC ("X5")
DOCKET NO. T-20946A-15-0384
January 6, 2016

CONFIDENTIAL

X5 OpCo Financial Reporting

Summary Financials

Cash Flow Statement	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	YTD
NI	(5,895)	61,657	66,389	17,258	41,068	(32,397)	(217,423)	(69,343)
Dep & other non cash	13,357	11,157	12,323	15,097	13,486	15,222	15,227	95,869
Change in operating assets	(23,450)	(2,410,677)	603,143	(251,796)	23,966	(272,982)	(154,507)	(2,486,303)
Change in operating liabilities	(767,882)	1,915,631	322,282	38,968	344,348	401,385	(146,934)	2,107,797
Cash Flow from Operations	(783,870)	(422,232)	1,004,138	(180,474)	422,868	111,227	(503,637)	(351,980)
Goodwill from purchase	(20,171,875)	-	-	-	-	-	-	(20,171,875)
Revaluation of purchased assets	209,174	-	-	-	-	-	-	209,174
Cash used in purchase of capital equipment	-	-	(106,055)	(47,040)	(5,925)	(3,059)	(10,585)	(172,664)
Cash used in M&A Activity	-	(250,000)	-	-	-	-	-	(250,000)
Cash Flow from investing	(19,962,701)	(250,000)	(106,055)	(47,040)	(5,925)	(3,059)	(10,585)	(20,385,365)
Proceeds from sale of Pfd Interests	12,008,871	-	-	-	-	-	-	12,008,871
Proceeds from borrowings	8,725,708	125,000	77,965	18,164	278	495	-	8,947,609
Payments on borrowings	-	16,322	(9,079)	-	-	-	-	7,243
Cash Flow from Financing	20,734,579	141,322	68,885	18,164	278	495	0	20,963,723
Change in Cash Flow	(11,992)	(530,910)	966,968	(209,350)	417,221	108,664	(514,223)	226,378
Beginning Cash Balance	693,204	681,212	150,302	1,117,270	907,920	1,325,141	1,433,805	693,204
Ending Cash Balance	681,212	150,302	1,117,270	907,920	1,325,141	1,433,805	919,582	919,582

Note: X5 Solutions Inc was acquired on March 24, 2015 by X5 OpCo LLC, a wholly owned subsidiary of X5 Holdings, LLC.

Balance Sheet	Sep-15
ASSETS	
Cash	919,582
Accounts Receivable	2,273,274
Other	593,768
Total Current Assets	3,786,624
Net Property and Equipment	588,098
Other Assets	21,925
Goodwill	19,648,824
Total Assets	24,045,471
LIABILITIES & EQUITY	
Line of Credit	1,041,737
Accounts Payable	1,053,068
Current Portion of LT Debt	2,419,809
Other	4,514,614
Total Current Liabilities	5,500,000
FIDUS Debt	9,581
Other LT Liabilities	1,931,737
Seller Note	12,089,538
Total Equity	24,045,471
Total Liabilities & Equity	24,045,471

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STF 2.2 X5 has indicated in its response to Application section (B-4) 3. that it will not maintain any facilities in Arizona. Given that X5 is requesting approval for facilities-based interexchange service in Arizona, how will it technically provide this service?

Response: Reference to the provision of "facilities" in the Company's Application pertains to its anticipated use of out of state switching equipment to route and complete inter and intrastate calls. No facilities will be located in Arizona as stated. The Company will otherwise be leasing transport facilities and reselling services.

STF 2.3 Please indicated whose interexchange services X5 will be reselling.

Response: X5 OpCo LLC will be reselling the interexchange services of AT&T, Level 3 and Verizon Business.

STF 2.4 In its Response to STF 1.4, X5 indicates that it has been granted interexchange authority in the State of Florida. However, Florida Staff has indicated to Arizona Staff that no such authority has been granted. Please clarify this discrepancy.

Response: This is not a discrepancy. X5 OpCo LLC maintains *defacto* authority to provide interexchange services in Florida following statutory deregulation of interexchange telecommunications services in the State following enactment of FL Chapter 2011-36, Florida Regulatory Reform Act (originally HB 1231)(2011) amending Section 364.011, Florida Statutes. X5 OpCo LLC informed the Florida Public Service Commission of its initiation of deregulated interexchange telecommunications by letter addressed to Carlotta Stauffer, Director, Office of the Commission Clerk on October 21, 2015.

STF 2.5 Please indicate if any of the jurisdictions in X's Response to STF 1.4 are pending authority rather than have been granted authority.

Response: X5 OpCo LLC has applications for operating authority pending in the following jurisdictions:

- Alabama – Interexchange
- California – Interexchange
- Illinois – Interexchange
- Indiana – Interexchange
- Kansas - Interexchange
- Massachusetts – Interexchange and local exchange
- New York – Local Exchange (interexchange granted 11.25.15)
- Oklahoma - Interexchange
- Pennsylvania – Local Exchange (interexchange granted 12.17.15)

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January 6, 2016

South Dakota - Interexchange

STF 2.6

Staff is confused about X5's Response to STF 1.18 indicating the provisions are taken directly from NovaTel's tariff yet it appears X5 believes they were not included in NovaTel's tariff. Please clarify and indicate if X5 plans to include them in its proposed Arizona tariff.

Response:

X5 OpCo LLC hereby clarifies that Section 3.1.2., Service Connection and Maintenance Charges, was not taken from NovaTel's Arizona tariff. These charges do apply on an account basis, though none would apply exclusively in Arizona and rates are not listed, accordingly. The provisions are retained for purposes of disclosure, consistent with like provisions appearing in the Company's interexchange tariffs in other states.