

**FCC Form 481 - Carrier Annual Reporting
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2018

<010> Study Area Code	110737
<015> Study Area Name	X5 RTC LLC
<020> Program Year	2020
<030> Contact Name: Person USAC should contact with questions about this data	Christopher Ulmer
<035> Contact Telephone Number: Number of the person identified in data line <030>	6109283903 ext.
<039> Contact Email Address: Email of the person identified in data line <030>	culmer@icorellc.com
Form Type	54.313 and 54.422

<010>	Study Area Code	110737
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[illegible]

(400) Number of Complaints per 1,000 customers
Data Collection Form

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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize.	
<410>	Complaints per 1000 customers for fixed voice	
<420>	Complaints per 1000 customers for mobile voice	

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<515>	Certify compliance with applicable minimum service standards	

(600) Functionality in Emergency Situations
Data Collection Form

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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	110737MA610.pdf

(800) Operating Companies Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2018
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<039>	Contact Email Address - Email Address of person identified in data line <030>	culmer@icorellc.com
<810>	Reporting Carrier	Magna5 RTC LLC
<811>	Holding Company	Magna5 Holdings LLC
<812>	Operating Company	Magna5 RTC LLC

[illegible]

(900) Tribal Lands Reporting
Data Collection Form

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<900> Does the filing entity offer tribal land services? (Y/N) No

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(5) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability
Data Collection Form**

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<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 110737MA1010.pdf

Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 110737MA1030.pdf

Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting
Data Collection Form**
**FCC Form 481
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<1100> Certify whether terrestrial backhaul options exist (Y/N)

Yes

<1130> Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

<1140> Alaska Plan rate-of-return certification (yes, no, or not applicable) of compliance with approved performance plan.

(1200) Terms and Condition for Lifeline Customers
Lifeline
Data Collection Form

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110737MA1210.pdf

Name of Attached Document

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

<1220> Link to Public Website

HTTP www.richmondtelephone.com

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- | | | |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan, | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan. | <input checked="" type="checkbox"/> |

(2005) Price Cap Carrier Additional Documentation**Data Collection Form***Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

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Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR 54.313(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

<2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}

<2016> Certification support used to build broadband

Connect America Phase II Reporting {47 CFR § 54.313(e)}

<2017A> Connect America Fund Phase II recipient?

<2017C> Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2018.

<2018> Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing
Required Information

<2019> Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

(3005) Rate Of Return Carrier Additional Documentation
Data Collection Form

FCC Form 481

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(3007) Does this filing retain a Cost Consultant and/or Firm, or other Third Party to prepare financial and operations data disclosures submitted to the National Exchange Carrier Association (NECA), USAC, or the Administrator?

(3007a)	(3007b)
Name of Consultant	Name of Consultant Firm/Third Party

CAF BLS Reporting

(3008A) Please indicate whether new locations were deployed during the prior calendar year. (Yes/No)

(3008B) Please enter the number of new locations deployed in the prior calendar year associated with each of the following speed tiers.

(3008B1) Number of newly built locations with access to broadband speeds of at least 10/1 Mbps but less than 25/3 Mbps.

(3008B2) Number of newly built locations with access to broadband speeds of 25/3 Mbps or higher.

(3008C) Please provide the percentage of deployment across the entire study area.

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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

Progress Report on 5 Year Plan		
(3009)	Carrier certifies to 54.313(f)(1)(iii)	
		Yes - Attach Certification
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}	
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No) <input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No) <input type="radio"/> <input checked="" type="radio"/>
Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)	<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No) <input checked="" type="radio"/> <input type="radio"/>
If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers	<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows	<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.	<input checked="" type="checkbox"/>
If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers	<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant	<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.	<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows	<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information

(3005) Rate Of Return Carrier Additional Documentation (Continued)

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Financial Data Summary

(3027) Revenue

(3028) Operating Expenses

(3029) Net Income

(3030) Telephone Plant In Service(TPIS)

(3031) Total Assets

(3032) Total Debt

(3033) Total Equity

(3034) Dividends

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations and provide a list of newly served community anchor institutions.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

4001. Recipient certifies that it is offering broadband meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas.

Community Anchor Institutions – FCC 14-98 (paragraph 79)

4003a. RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

4003b. Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year. Name of Attached Document Listing Required Information

**Certification - Reporting Carrier
Data Collection Form**

 FCC Form 481
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TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**Certification - Agent / Carrier
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TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) <u>ICORE Consulting, LLC</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>ICORE Consulting, LLC</u>
Name of Reporting Carrier:	<u>X5 RTC LLC</u>
Signature of Authorized Officer:	Date:
Printed name of Authorized Officer:	<u>Joe OHara</u>
Title or position of Authorized Officer:	<u>CFO</u>
Telephone number of Authorized Officer:	<u>2177412367 ext.</u>
Study Area Code of Reporting Carrier:	<u>110737</u> Filing Due Date for this form: <u>07/01/2019</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>X5 RTC LLC</u>
Name of Authorized Agent Firm:	<u>ICORE Consulting, LLC</u>
Signature of Authorized Agent or Employee of Agent:	Date: <u>06/25/2019</u>
Name of Authorized Agent Employee:	<u>Christopher Ulmer</u>
Title or position of Authorized Agent or Employee of Agent	<u>Sr. Vice President</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>6109283903 ext.</u>
Study Area Code of Reporting Carrier:	<u>110737</u> Filing Due Date for this form: <u>07/01/2019</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

As an initial point, the Company had no service outages during 2018 which met the FCC's threshold for reporting into the Network Outage Reporting System ("NORS").

The Company engages in preventative maintenance programs which help ensure network reliability in all conditions. This includes regular checks on generators, battery back-up, HVAC infrastructure at central office switches, and tree trimming/removal when trees have the potential to take down telephone lines during events of high wind or heavy snow. Access to critical infrastructure (like central office switches) is limited to essential personnel. Spare equipment is maintained in inventory.

Like most local exchange carriers, the Company's network consists of electronic switching equipment and a network of fiber optics and copper facilities. From a switching standpoint, the Company has one primary switch and smaller switches which are fed by the primary switch. These smaller switches are often referred to as intraexchange remote switches or concentrators. The largest threat to switches is the loss of power. To address this, the Company ensures adequate battery back-up is maintained. For emergency situations which extend beyond the useful life of the battery back-up, the Company uses generators to power the switches. These generators are portable which ensures they can be relocated to any switching center based on the specific needs of each switch. In addition, the Company's office will serve as a Command and Control center. This center is included as a primary location to which continuous power is required.

In cases of emergency, the Company's management has contact information for all employees. Depending upon the scope of the emergency, the Company may call-in as many employees as necessary to provide continual telecommunications service. The Company has access to local and regional construction companies which can be called in to supplement the work force if necessary. When poles are down from emergencies, the Company works with other utilities attached to the same poles to expedite the repair or replacement of the infrastructure.

In summation, the Company takes preventative measures to plan for emergency situations and also takes steps to mitigate the risk or duration of such events.

Company	Magna5 RTC LLC
Study Area Code	110737
Supplemental Data For:	Line 1010 – Description of Voice Services Rate Comparability

Because there were no unfulfilled initial requests for service in the prior calendar year, this line is not applicable. No action plan was needed since all requests for service were fulfilled.

Company:	Magna5 RTC LLC
Study Area Code:	110737
Supplemental Data For:	Line 1020 – Broadband Services Rate Comparability Certification

Per 47 C.F.R. § 54.313(a)(12), the Company certifies that its pricing of broadband services meets the Commission's broadband public interest obligations and is no more than the applicable benchmark as issued by the Wireline Competition Bureau. Company also certifies that its pricing for broadband services is no more than the non-promotional price charged for a comparable fixed wireline service in urban areas where the eligible telecommunications carrier receives support.

Magna5 RTC LLC
dba Richmond Telephone Company
Lifeline Program Terms
47, Part 54, Subpart C, §54.422(a)(2)

Magna5 RTC LLC dba Richmond Telephone Company is fully compliant with all Lifeline requirements and incorporates those requirements in its Massachusetts local exchange tariff, Massachusetts D.T.C. Tariff No. 1: First revised Sheet No. 9.

The Company's Lifeline program provides for unlimited local calls to the same calling area as is provided to its non-Lifeline subscribers. Access to toll free numbers, operator services and 911 services is provided. Lifeline customers have their choice of carrier and the toll rates provided will vary based on the interexchange carrier selected. Lifeline customers may choose to have their lines blocked from completing long distance calls, including pay-per-call services (*i.e.* "900" numbers) and the Company will provide this blocking at no charge to Lifeline eligible subscribers.

Lifeline applicants must complete an application that details the requirements for Lifeline eligibility and must remain in compliance with those requirements under Federal Communications Commission rules in order to continue to receive the Lifeline discount.

GENERAL REGULATIONS, Continued

Lifeline Service

(T)

A discount for local telephone service is available to low income residential Customers. To qualify for Lifeline service, a Customer must be able to provide proof of household income which is at or below 135% of the annual Federal Poverty Guidelines for all States (except Alaska and Hawaii) and the District of Columbia.

(T)

Only one such discount is available to any qualified residence household for a service qualified for the program by the Federal Communications Commission. For this offering, a household is defined as any individual or group of individuals who are living together at the same address as one economic unit.

This reduction may be applied to the monthly rate of the following residential services: Individual Access Line Service

To qualify for Lifeline service, a customer must either be a recipient of benefits from any one of the following programs:¹

(T)

Medicaid

Supplemental Security Income

Supplemental Nutrition Assistance Program (SNAP)

(N)

(D)

(D)

Section 8 Federal Public Housing Assistance

(D)

(D)

(D)

Veterans Pension or Survivors Pension

Applicants must provide proof of eligibility. Recertification of Lifeline Service participants must be conducted annually by the Company to ensure continued eligibility. Lifeline customers have the responsibility to notify the Company within thirty (30) days of a change in eligibility status if they no longer qualify for Lifeline Service.

Lifeline service provides for a reduction in the rate for local Exchange service of \$9.25 for Federal (interstate) charges and \$6.00 for intrastate charges for a total of \$15.25.

(T)

(T)

(T)

¹ The changes to the Lifeline program are effective December 2, 2016 pursuant to the Federal Communications Commission's *Third Report and Order*, *Further Report and Order*, and *Order on Reconsideration* (Lifeline Modernization Order), WC Docket Nos. 11-42, *et al.*, [FCC 16-38](#) (rel. April 27, 2016), para. 167.

MAGNA5 RTC LLC
Lifeline Eligibility Consumer Affidavit

Applicant Name: _____

Date of Birth: _____ SSN (last 4 digits): _____ or Tribal identification no. _____

Service Address: _____

Number Street (Apt. No) City State Zip

Is this a temporary address? ☐ Yes ☐ No Telephone No. _____

Billing Address if different from Service Address

Number Street (Apt. No) City State Zip

Billing Name on Account if different from Applicant: _____

I am applying or recertifying for Lifeline benefits based on one of the following eligibility criteria:

I am currently enrolled in an eligible program [check applicable boxes below]

- ☐ Supplemental Nutrition Assistance Program (SNAP, Food Stamps)
- ☐ Supplemental Security Income (SSI)
- ☐ Medicaid
- ☐ Section 8 Federal Public Housing Assistance
- ☐ Veterans Pension or Survivors Pension

Or

I meet income eligibility requirements [complete qualification information below]

- ☐ My household is at or below 135% of the Federal Poverty Level. No. in Household: _____

Household Size	135% of Federal Poverty Levels
1	\$16,038
2	\$21,627
3	\$27,216
4	\$32,805
5	\$38,394
6	\$43,938
7	\$49,586
8	\$55,202
Add for each additional person after 8	\$5,616

Certifications Required for Lifeline Participants

- a. I understand that Lifeline is a federal benefit and that willfully making false statements to obtain the benefit can result in fines, imprisonment, de-enrollment or being barred from the program.
Customer initials: _____
- b. I understand that only one Lifeline service is available per household (as defined as any individual or group of individuals who live together at the same address and share income and expenses) and a household is not permitted to receive Lifeline benefits from multiple providers. Violation of the one-per-household limitation constitutes a violation of the Commission's rules and will result in the de-enrollment from the Program.
Customer initials: _____

Continued on Page 2

c. I understand that I may not transfer my Lifeline benefit to any other person.

Customer initials: _____

d. I further understand and consent that the data included in my application will be divulged to USAC and/or its agents for purposes of verification that I am only in receipt of one lifeline benefit.

Customer initials: _____

I certify under penalty of perjury, to the following: I meet the income or program-based eligibility criteria for receiving Lifeline service as provided for herein. I further certify that I will notify Richmond Telephone Company within 30 days if for any reason I no longer satisfy the criteria for receiving Lifeline including if another member of my household begins receiving a Lifeline benefit. My household will receive only one Lifeline service and, to the best of my knowledge, my household is not already receiving a Lifeline service. The information contained in this affidavit is true and correct to the best of my knowledge. I acknowledge that providing false or fraudulent information to receive Lifeline benefits is punishable by law. I understand that I may be required to recertify my eligibility for Lifeline at any time, and my failure to recertify as to my continued eligibility will result in de-enrollment and the termination of the subscriber's Lifeline benefits pursuant to federal law §54.405(e)(4).

Applicant Signature: _____ Date: _____

Required Support

If you indicated enrollment in an **eligible program**, along with this application, please attach a photocopy (do not send an original) or fax or email of one of the following to us:

- Your current or prior year's statement of benefits from a qualifying program; *or*
- A notice letter of participation in a qualifying program; *or*
- A program participation document, for example, benefit card; *or*
- An official document indicating your participation in a qualifying state, federal or Tribal program

If you indicated enrollment due to Household Income below the **Federal Poverty Level**, along with this application, please attach a photocopy (do not send an original) or fax or email of one of the following to us:

- Your prior year's state, federal or Tribal tax return; *or*
- Current income statement from an employer or paycheck stub; *or*
- Social Security statement of benefits; *or*
- A Veterans Administration statement of benefits; *or*
- A retirement or pension statement of benefits; *or*
- An Unemployment or Workmen's Compensation statement of benefits; *or*
- Federal or Tribal notice letter of participation in General Assistance; *or*
- A divorce decree; *or*
- A child support award; *or*
- Other official document containing income information

If you provide documentation that does not cover a full year (such as current pay stubs), you must submit three (3) consecutive months worth of the same type of document from the previous 12 months

Magna5 RTC LLC

1416 State Road OR P.O. Box 75
Richmond, MA 01254

Phone number: (413) 698-2255
Fax number: (413) 698-3101
Email: info@richmondtelephone.com

To be in compliance with the Milestone Certification of providing upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream:

- The Company certifies that it has taken reasonable steps to provide upon a reasonable request broadband service at actual speeds of 10 Mbps downstream/1 Mbps upstream with latency suitable for real time applications, including Voice over Internet Protocol.
- The Company provides usage capacity that is reasonably comparable to comparable offerings in urban areas.
- The Company certifies that requests for such service are met within a reasonable amount of time.



Magna5 Holdings LLC and Subsidiaries

Consolidated Financial Statements

December 31, 2018 and 2017

Magna5 Holdings LLC and Subsidiaries

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December 31, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors and Unitholders of
Magna5 Holdings LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Magna5 Holdings LLC and Subsidiaries (the "Entity"), which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of operations, changes in unitholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Entity as of December 31, 2018, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - 2017 Consolidated Financial Statements

The consolidated financial statements of the Entity for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on May 2, 2018.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
April 26, 2019

MAGNA5 HOLDINGS LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 and 2017
(In thousands)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	REDACTED	REDACTED
Accounts receivable, net of allowance of \$1,124 and \$2,151 for 2018 and 2017, respectively	REDACTED	REDACTED
Prepaid and other current assets	REDACTED	REDACTED
Total current assets	REDACTED	REDACTED
Property, Equipment and Software, Net	REDACTED	REDACTED
Other Assets		
Intangible assets, net	REDACTED	REDACTED
Goodwill, net	REDACTED	REDACTED
Other non-current assets	REDACTED	REDACTED
Total other assets	REDACTED	REDACTED
Total assets	REDACTED	REDACTED
Liabilities and Unitholders' Equity		
Current Liabilities		
Accounts payable	REDACTED	REDACTED
Current portion of long-term debt	REDACTED	REDACTED
Other accrued liabilities	REDACTED	REDACTED
Total current liabilities	REDACTED	REDACTED
Long-Term Liabilities		
Long-term debt, less current portion	REDACTED	REDACTED
Warrant liability	REDACTED	REDACTED
Other long-term liabilities	REDACTED	REDACTED
Total long-term liabilities	REDACTED	REDACTED
Total liabilities	REDACTED	REDACTED
Unitholders' Equity		
Paid-in capital	REDACTED	REDACTED
Accumulated deficit	REDACTED	REDACTED
Total unitholders' equity	REDACTED	REDACTED
Total liabilities and unitholders' equity	REDACTED	REDACTED

The accompanying notes are an integral part of these consolidated

MAGNA5 HOLDINGS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In thousands)

	<u>2018</u>	<u>2017</u>
Revenue	REDACTED	REDACTED
Costs of Revenue	REDACTED	REDACTED
Gross profit	REDACTED	REDACTED
Operating Expenses	REDACTED	REDACTED
Selling, general and administrative	REDACTED	REDACTED
Transaction and related costs for business acquisitions	REDACTED	REDACTED
Related party management fees	REDACTED	REDACTED
Gain on revaluation of warrant liability	REDACTED	REDACTED
Gain on legal settlement	REDACTED	REDACTED
Depreciation and amortization	REDACTED	REDACTED
Total operating expenses	REDACTED	REDACTED
Loss from operations	REDACTED	REDACTED
Interest Expense	REDACTED	REDACTED
Net loss	REDACTED	REDACTED

The accompanying notes are an integral part of these consolidated financial statements.

MAGNA5 HOLDINGS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In thousands, except Unit amounts)

	<u>Common Units of Magna5 LLC</u>		<u>Common Units of Magna5 Holdings LLC</u>		<u>Series A Preferred Units</u>		<u>Series B Preferred Units</u>		<u>Accumulated</u>	
	<u>Units</u>	<u>Paid-in capital</u>	<u>Units</u>	<u>Paid-in capital</u>	<u>Units</u>	<u>Paid-in capital</u>	<u>Units</u>	<u>Paid-in capital</u>	<u>Deficit</u>	<u>Total</u>
BALANCE, DECEMBER 31, 2016	REDACTED									
Exchanged of common units for Series B preferred units										
Issuance of Series A preferred units										
Adjustment to units exchanged										
Exchanged of Series A preferred units for Series B preferred units	REDACTED									
Issuance of Series B preferred units										
Net loss	REDACTED									
BALANCE, DECEMBER 31, 2017										
Repurchase of common units for Series A preferred units										
Net loss										
BALANCE, DECEMBER 31, 2018										

The accompanying notes are an integral part of these consolidated financial statements.

MAGNA5 HOLDINGS LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 and 2017
(In thousands)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES	REDACTED	REDACTED
Net loss	REDACTED	REDACTED
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	REDACTED	REDACTED
Depreciation and amortization	REDACTED	REDACTED
Amortization of deferred financing costs and discounts	REDACTED	REDACTED
PIK interest expense	REDACTED	REDACTED
Gain on revaluation of warrant liability	REDACTED	REDACTED
Settlement on Note Payable (see Note 10)	REDACTED	REDACTED
Bad debt expense	REDACTED	REDACTED
Change in assets and liabilities, net of impact of acquisitions:	REDACTED	REDACTED
Accounts receivable	REDACTED	REDACTED
Restricted cash	REDACTED	REDACTED
Prepays and other current assets	REDACTED	REDACTED
Other assets	REDACTED	REDACTED
Accounts payable	REDACTED	REDACTED
Accrued expenses and other current liabilities	REDACTED	REDACTED
Net cash provided by (used in) operating activities	REDACTED	REDACTED
CASH FLOWS FROM INVESTING ACTIVITIES	REDACTED	REDACTED
Purchase price of acquisitions, net of cash acquired	REDACTED	REDACTED
Purchase of property and equipment	REDACTED	REDACTED
Net cash used in investing activities	REDACTED	REDACTED
CASH FLOWS FROM FINANCING ACTIVITIES	REDACTED	REDACTED
Issuance of common and preferred units	REDACTED	REDACTED
Repurchase of preferred units	REDACTED	REDACTED
Repayment of term debt	REDACTED	REDACTED
Proceeds from NewSpring Partners	REDACTED	REDACTED
Capital lease payments	REDACTED	REDACTED
(Repayments) borrowings under revolving line of credit	REDACTED	REDACTED
Net cash provided by financing activities	REDACTED	REDACTED
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	REDACTED	REDACTED
Cash and cash equivalents, beginning of year	REDACTED	REDACTED
Cash and cash equivalents, end of year	REDACTED	REDACTED
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	REDACTED	REDACTED
CASH PAID DURING THE PERIOD FOR:	REDACTED	REDACTED
Interest	REDACTED	REDACTED
NONCASH INVESTING & FINANCING ACTIVITIES:	REDACTED	REDACTED
Series A preferred units issued in conjunction with acquisition	REDACTED	REDACTED
The accompanying notes are an integral part of these consolidated financial statements.		

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

1. BACKGROUND

Magna5 Holdings LLC and its wholly owned operating subsidiary, Magna5 LLC, were formed in October 2014 by NewSpring Capital (“NewSpring”), a leading private equity investment company, for the purpose of establishing a platform-based communications business capable of providing services to customers located in the United States and internationally. The NewSpring investment in Magna5 Holdings LLC is held by Magna5 Partners LLC (“Magna5 Partners”), a wholly owned entity of NewSpring.

Unless the context indicates otherwise, “Magna5,” the “Company,” “we,” “our,” and “us” refer to Magna5 Holdings LLC and, where appropriate, its subsidiaries or affiliates.

On March 24, 2015, Magna5 acquired certain assets, customers and operations of X5 Solutions, Inc. and X5 PDX, LLC (collectively, “X5 Solutions”).

On February 1, 2016, Magna5 acquired two separate businesses. The first involved the purchase of certain assets, liabilities, customer contracts, and the transfer of employees and operations of Novatel Ltd., Inc. (“Novatel”), and the second involved the purchase of certain assets, liabilities, customer contracts, and the transfer of employees and operations of Cornerstone Telephone Company, LLC and its subsidiaries (“Cornerstone”). The Company also formed Magna5 RTC LLC (“RTC”) (doing business as Richmond Telephone Company and formerly known as X5 RTC LLC) to assume the assets, liabilities, customer contracts and operations of a portion of Cornerstone’s business consisting of an incumbent local exchange carrier.

On November 15, 2017, the Company, through Magna5 MS LLC, a newly established wholly owned subsidiary of Magna5 LLC, acquired certain assets, liabilities, customer contracts, and the transfer of employees and operations of Netserve365 LLC (“Netserve”).

The Company offers a complete suite of custom technology and telecommunications solutions from traditional voice and data services to session initiation protocol (“SIP”) trunking, ethernet, conferencing and hosted voice services to advance technologies such as unified communications as a service (“UCaaS”), infrastructure as a service (“IaaS”) and software as a service (“SaaS”), delivered through managed or cloud settings. Additionally, the Company offers a variety of IT services including network monitoring and management, backup and recovery services, managed security, technical support, hosting and collocation.

Our services are delivered from multiple locations in the United States, including primary office locations in Seattle, Washington; San Antonio, Texas; Plano, Texas; Pittsburgh, PA; and Troy, New York, as of December 31, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Magna5 Holdings LLC and its wholly owned subsidiaries, and have been prepared under accounting principles generally accepted in the United States of America (“U.S. GAAP”), applied on a consistent basis. All intercompany balances and transactions have been eliminated in consolidation.

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant items subject to such estimates and assumptions include the valuation of property and equipment, identifiable intangible assets, the assessment of the recoverability of goodwill and intangible assets, and valuation allowances for receivables. Actual results could differ from those estimates.

Revenue Recognition

The substantial portion of our revenues is based on objective criteria that neither require significant estimates nor result in uncertainties. The primary example of this is transaction volumes related to minutes of use invoiced at specified contract rates, both per unit rates and fixed fee type rates. Accordingly, revenue recognized under these arrangements does not require the use of significant estimates that are susceptible to change. We recognize revenues when persuasive evidence of an arrangement exists, the services have been provided to the client, the sales price is fixed or determinable, and collectability is reasonably assured.

We defer as unearned revenues any non-refundable, upfront implementation fees when invoiced to the customer following initiation of service. Any deferrals are amortized into revenue ratably over the period between the start of the ongoing services through the end of the related customer's contract term.

We recognize revenue for equipment and software sales, when the underlying product is delivered and installed, to the extent required by the customer.

Cost of Revenue

Cost of revenue includes expenses directly associated with providing telecommunications services to customers, including, among other items, the cost of connecting customers to the Company's networks, the costs of components of its network facilities and costs paid to third-party providers for interconnect access and transport services. The Company accrues for the expected costs of revenues received from third-party telecommunications providers during the period the services are rendered. All such costs are expensed as incurred.

The Company accrues costs for disputed invoices. If the Company ultimately settles a disputed amount which is different than the accrual, it recognizes the difference in the period in which the settlement is finalized as an adjustment to cost of revenue.

Cash and Cash Equivalents

Cash and cash equivalents include primarily cash accounts with large financial institutions of a non-interest bearing nature. We perform periodic evaluations of the relative credit standing of the financial institutions with which we conduct our banking business. We maintain cash accounts that at times may exceed federally insured limits; however, we have not experienced any losses from maintaining cash accounts in excess of such limits.

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable are recorded at the invoiced amount, or based on an estimate of accrued transaction volumes as of the consolidated balance sheet date times the specified contract rates. The allowance for doubtful accounts represents management's best estimate of the amount of probable credit losses in existing accounts receivable. We determine the allowance based on historical write-off experience and any specific customer collection issues that have been identified. We review our allowance for doubtful accounts quarterly. Past due balances are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Subsequent recoveries, if any, are credited to the allowance. Amounts charged to expense for the years ended December 31, 2018 and 2017, respectively, were \$114 and \$475. We do not have any off-balance sheet credit exposure related to our customers.

Property, Equipment & Software

Property, equipment and software are recorded at cost if originally purchased by the Company, or at estimated fair value if acquired through the purchase of a business. Depreciation and amortization are provided over the estimated useful lives of the applicable assets using the straight-line method. The lives used are as follows:

Buildings	20 - 40 years
Communications and computer equipment	3 - 5 years
Software – internal use and third party	3 - 5 years
Furniture and fixtures	5 - 7 years
Vehicles	3 - 5 years
Leasehold improvements	Lesser of lease term or useful life

Repairs and maintenance are charged to expense as incurred. Additions and betterments are capitalized and amortized over their estimated useful lives. Improvements made to our leased facilities are amortized into expense over the remaining lease term.

Acquisitions

Acquisitions are accounted for using the purchase method. The purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair market values. Any excess purchase price over the fair market value of the net assets acquired is recorded as goodwill. For all businesses acquired, operating results are included in the consolidated statements of operations from the dates of the acquisitions.

Goodwill and Intangible Assets

Goodwill and intangible assets are recorded in connection with business combinations (see Note 6). Goodwill represents the excess of purchase price over the fair value of net assets acquired through business acquisitions.

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In 2016, the Company adopted accounting guidance allowing the Company to amortize goodwill over an established useful life determined by the Company to be ten years, in the current year and prospectively. For the years ended December 31, 2018 and 2017, amortization expense of Goodwill was \$3,474 and \$2,949, respectively. Under the accounting guidance, consistent with the guidance for long-lived assets, goodwill is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of goodwill may not be fully recoverable. No impairment was identified for the years ended December 31, 2018 and 2017.

Other intangible assets are evaluated under the provision of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, "Property, Plant and Equipment," as discussed below. No impairment was identified for the years ended December 31, 2018 and 2017.

Impairment of Long-Lived Assets

Under the provisions of FASB ASC 360, "Property, Plant and Equipment," long-lived assets, such as property and equipment and intangible assets, are to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We continually evaluate whether events or circumstances have occurred that would indicate that the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, we use an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets to measure recoverability. If impairment is indicated, measurement of the impairment is based on the difference between the carrying value and fair value of the assets, generally determined based on the present value of expected future cash flows associated with the use of the asset.

Debt Issuance Costs & Discounts

Costs incurred to issue debt, including legal, due diligence, warrants, fees and expenses, are deferred and recorded on the consolidated balance sheets as a discount against debt, and are amortized into interest expense using the effective interest method over the life of the related debt.

Debt issued which is estimated to be at prices (and terms) less than fair value at the issuance date is recorded on the consolidated balance sheets, and is amortized into interest expense using the effective interest method over the life of the related debt.

Income Taxes

The Company has elected to be treated as a partnership for federal and state income tax reporting purposes, such that the taxable income, losses and credits attributable to the Company are effectively passed through to its unitholders in accordance with the Company's amended and restated operating agreement. For the years ended December 31, 2018 and 2017, respectively, the Company's provision for income taxes is not separately reported on its consolidated statements of operations due to immateriality, and rather is reflected as part of its general and administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

For certain of the Company's non-derivative financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and other accrued liabilities, management of the Company believes the carrying amount at December 31, 2018 approximates fair value due to the short-term maturities of these instruments. For current and long-term debt, including senior debt, subordinated debt and capital leases, the estimated fair value of such debt is based primarily on borrowing rates currently available to the Company for similar debt issues. Management believes that the carrying amount of such debt, as of December 31, 2018, approximated fair value because the underlying interest rates approximate market rates.

Concentration of Credit Risk

Other financial instruments that potentially subject us to concentrations of credit risk consist principally of accounts receivable. Accounts receivable are subject to the financial condition of our customers. We generally do not require collateral from our customers; however, should our assessment indicate a higher level of credit risk for a particular customer, we will request a deposit and/or accelerated repayment terms. Our allowance for doubtful accounts reflects current market conditions and management's assessment regarding the collectability of our receivables.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs associated with loss contingencies are recorded as they are incurred.

Leasing Arrangements

The Company follows FASB ASC 840, "Leases," which requires companies to assess the classification of the leases they enter into as either a capital lease or an operating lease. Capital leases are considered financing arrangements and are accounted for on the consolidated balance sheets. Operating leases are considered to be rental arrangements and are not recorded on the consolidated balance sheets. Our operating leases are primarily for facility space and do not typically provide for set renewal options but do contain normal and customary annual rate escalations. Please refer to Note 10, where we disclose our future commitments under capital and operating leases.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standard Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers," requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. ASU No. 2015-14 changed the effective date of this standard. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method and is currently evaluating the effect the updated standard will have on the consolidated financial statements.

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In February 2016, the FASB issued ASU No. 2016-02, "Leases," requiring lessees to recognize the assets and liabilities related to transactions classified as Operating Leases where previously only Capital Leases were recognized on the balance sheet. This standard, as it applies to the Company, becomes effective for annual reporting periods beginning after December 15, 2019. The Company has not yet selected a transition method and is currently evaluating the effect the updated standard will have on the consolidated financial statements.

3. LIQUIDITY

Since its inception, the Company has incurred net losses from operations. As such, the Company has relied on external equity financing to fund operating cash flow deficits and capital investment needs. The Company has raised approximately \$27,600 from the issuance of common and preferred units as of December 31, 2017. \$16,000 of capital raised in 2017 from the issuance of preferred units was in conjunction with the acquisition of the net assets of Netserve365, LLC. The Company has also successfully obtained proceeds via debt financings. Approximately \$31,305 and \$31,161 of long-term debt was outstanding as of December 31, 2018 and 2017, respectively, and included on the Company's consolidated balance sheets.

Management has prepared financial projections and believes cash generated from operations, existing cash on hand, the cash proceeds from common and preferred unit issuances, along with remaining availability under its revolver will be sufficient to fund working capital needs for the foreseeable future. However, the Company is subject to certain business risks and uncertainties that could affect future operations and financial performance. The actual results may vary from current projections.

4. ACQUISITIONS

NetServe365 LLC

On November 15, 2017, the Company, through Magna5 MS LLC, a newly established wholly owned subsidiary of Magna5 LLC, acquired certain assets of Netserve365 LLC ("Netserve"), including prepaid expenses, inventory, accounts receivable, contracts, fixed assets, intellectual property and other intangibles, along with the customers, employees, operations, along with the assumption of certain liabilities and accounts payable in the form of an asset acquisition for \$15,000, subject to final working capital adjustments, before \$631 of transaction costs and \$791 for working capital. The transaction was financed by the issuance of 15,833 Series A Preferred Units to the former management of Netserve for \$1,900, the issuance of 145,000 Series B Preferred Units to NewSpring for \$14,500, and \$22 of cash from Magna5 LLC.

Acquisitions Summary for 2017

The following table summarizes the purchase price allocations of the above acquisition, and excludes any transaction and related costs incurred in closing such acquisition. The allocations are based on the Company's fair market valuations of assets acquired and liabilities assumed, pursuant to FASB ASC 805, "Business Combinations."

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

4. ACQUISITIONS - Continued

Computation of Purchase Price:

Cash purchase price

Series A preferred units

Initial Purchase Price

Working capital adjustment

Final acquisition purchase price

Allocation of Acquisition Purchase Price:

Fair value of assets acquired

Current assets

Property and equipment

Other assets

Customer relationships

Trade names

Non-competition agreements

Goodwill

Fair value of assets acquired

Fair value of liabilities assumed

Total fair value of net assets acquired

NetServe

REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED
REDACTED

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land

Building

Leasehold Improvements

Furniture and Fixtures

Communications and Computer Equipment

Software

Vehicles

Less accumulated depreciation and amortization

December 31,

2018

2017

REDACTED
REDACTED
REDACTED

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

5. PROPERTY AND EQUIPMENT - Continued

Depreciation and amortization expense relating to property and equipment was \$1,415 and \$1,175 for the years ended December 31, 2018 and 2017, respectively. The net book value of assets held under capital leases, consisting of communications and computer equipment, was \$25 and \$81 for the years ended December 31, 2018 and 2017, respectively. Amounts owed under capital leases are reflected in long-term debt (see Note 8).

6. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

Goodwill

The following table summarizes the change in goodwill for the years ended December 31, 2018 and 2017, respectively:

	December 31	December 31
Beginning balance	REDACTED REDACTED	
Goodwill from acquisitions		
Adjustments		
Less: amortization		
Ending balance		

2018 adjustments reflect changes to the original estimated acquisition prices recorded for Netserve in 2017.
2017 adjustments reflect changes to the original estimated acquisition price recorded for the 2016 acquisitions of Novatel and Cornerstone.

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

6. GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS - Continued

Identifiable Intangible Assets

Identifiable intangible assets as of December 31, 2018 and 2017, respectively, consist of the following:

	December 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Impairment	Net
Customer Relationships	REDACTED			
Developed Technology				
Trade Names				
Other				
Customer Relationships	REDACTED			
Developed Technology				
Trade Names				
Other				

Based on the goodwill and intangible assets recorded as of December 31, 2018, the annual amortization expense is expected as follows:

Period	Expected Amortization Expense
2019	REDACTED
2020	
2021	
2022	
2023	
Thereafter	
Total	

Amortization of intangible assets was \$4,104 and \$3,425 for the years ended December 31, 2018 and 2017, respectively. Amortization of goodwill was \$3,474 and \$2,949 for the years ended December 31, 2018 and 2017, respectively.

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

7. LINES OF CREDIT

On September 19, 2017, the Company and AB-PCI executed the Third Amendment, Waiver and Consent to Credit and Guaranty Agreement ("Amendment 3") which, among other things, provided (i) an increase to the revolving commitments under the credit facility to \$4,500 until December 31, 2018, at which time the

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8. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2018	December 31, 2017
Senior secured term debt	REDACTED	REDACTED
Installment note payable to seller	REDACTED	REDACTED
Revolving line of credit	REDACTED	REDACTED
Capital leases	REDACTED	REDACTED
Total debt	REDACTED	REDACTED
Less: Unamortized discounts and debt issuance costs		
Current portion of long-term debt		
Total long-term debt		

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

8. LONG-TERM DEBT- Continued

Senior Secured Term Debt

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8. LONG-TERM DEBT- Continued

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8. LONG-TERM DEBT- Continued

Installment Note Payable to Seller

REDACTED
REDACTED
REDACTED

9. UNITHOLDERS' EQUITY

Under the operating agreement of Magna5 Holdings LLC (“Operating Agreement”), which may be amended from time to time, the Company is authorized to issue equity units, including Series A Preferred Units, Series B Preferred Units, Common Units and Incentive Units, each of which is generally described below. Any such holder of these units are considered “Members” as that term is used in this document and the Operating Agreement. Gains or losses incurred by the Company during any fiscal year shall be allocated among the Members in accordance with the procedures for allocating net losses, as set forth in the Operating Agreement, and except as otherwise provided under the Delaware Act, no Member shall in any event be personally liable for or subject to any loss, liability or expense whatsoever of the Company.

Series A Preferred Units

The Company has authorized and issued Series A Preferred Units, which shall entitle the Series A Preferred Unit holders (“Series A Preferred Members”) to, among other things, a priority return, and a return of their capital contributions after distributions being made to Series B Preferred Members but prior to distributions being made to the holders of Common and Incentive Units.

9. UNITHOLDERS' EQUITY - Continued

REDACTED
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9. UNITHOLDERS' EQUITY - Continued

Common Units of Magna5 Holdings LLC

REDACTED

on

Common Units of Magna5 LLC

REDACTED

Incentive Units

REDACTED
REDACTED
REDACTED

9. UNITHOLDERS' EQUITY - Continued

Warrants for the Purchase of Series A Preferred Units

REDACTED

REDACTED

REDACTED

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9. UNITHOLDERS' EQUITY - Continued

Other Transfers and Assignments of Units

REDACTED

10. COMMITMENTS AND CONTINGENCIES

Leases

REDACTED
REDACTED
REDACTED

Telecommunications Contracts

We enter into agreements, ranging from one to three years, with our communications carriers, including the purchase of toll free, local, long distance, and internet and other connectivity services. Such agreements generally specify the fees, unit rates, and other prices for such services and do not contain annual minimum purchase commitments or penalties. Certain orders placed with such carriers may contain early termination penalties for certain fixed circuits or other connectivity services.

Notes to Consolidated Financial Statements

(In Thousands, Except Unit Amounts)

December 31, 2018 and 2017

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13. CUSTOMER CONCENTRATION

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14. SUBSEQUENT EVENTS

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