



13865 Sunrise Valley Drive  
Herndon, VA 20171

May 28, 2009

**VIA OVERNIGHT MAIL**

Manager of the Data Center  
Missouri Public Service Commission  
200 Madison Street  
Suite 100  
Jefferson City, MO 65102-0360

**FILED<sup>3</sup>**

**JUN 1 2009**

**Missouri Public  
Service Commission**

Re: XO Communications Services, Inc. Annual Reports - 2008  
**BMAR-2009-1586 CLEC/IXC Annual Report**

To Whom It May Concern:

Enclosed herewith, please find one (1) Redacted (public) copy and one (1) Confidential Copy of the Annual Reports for XO Communications Services, Inc. ("XO") for year ending December 31, 2008.

XO asks that the information reported in the enclosed Annual Report be treated as confidential. XO deems this information to be confidential because it contains market-sensitive information that competitors could use to their economic advantage. Accordingly, XO treats this information as confidential and proprietary within the Company and does not share it in any public forum.

Please date-stamp and return the enclosed extra copy of this cover letter in the self-addressed, postage paid envelope provided. Should you have any questions regarding this correspondence, please contact the undersigned at (703) 547-2615 or via email at [sharon.e.adams@xo.com](mailto:sharon.e.adams@xo.com).

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Adams'.

Sharon Adams  
Senior Regulatory Analyst

Enclosures

**AFFIDAVIT**  
**BMAR-2009-1586**

State of Virginia )  
 ) ss  
County of Fairfax )

I, John Calys (name), of lawful age on his/her oath states: I am employed by XO Communications Services, Inc. (company) as Controller (title). I attest that the information contained on page 3, the exchange access line data on page 5(b) and the revenue information on page 6 of the annual report is to be treated as non-public. XO asks that the information contained be treated as confidential. XO deems this information to be confidential, because it contains market-sensitive information that competitors could use to their economic advantage. Accordingly, XO treats this information as confidential and proprietary within the Company and does not share it in any public forum.

~~Signature~~

Subscribed and sworn to before me this 28 day of May 2009.

Notary Public

# 4067424



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

Embossed Hereon Is My  
Commonwealth of Virginia Notary Public Seal  
My Commission Expires July 31, 2011  
LIANE G. SIMPSON

# XO Communications Services, Inc.

## Company Name

(Provide the full name of the company as certificated or registered with the Missouri Public Service Commission. Do not abbreviate; yet include any Commission approved d/b/a or fictitious name, if applicable.)

## COMPETITIVE TELECOMMUNICATIONS CARRIER OR VOIP PROVIDER

## ANNUAL REPORT TO THE

## MISSOURI PUBLIC SERVICE COMMISSION

**FILED<sup>3</sup>**

JUN 1 2009

Missouri Public  
Service Commission

For the Calendar Year of  
January 1 - December 31, 2008

Please select how the company is certificated or registered with the Commission under the Company Name as shown above (check all that apply):

- ☐ Competitively Classified Incumbent Local Exchange Telecommunications Carrier (ILEC)
- ☒ Competitive Local Exchange Telecommunications Carrier (CLEC)
- ☒ Competitive Interexchange Telecommunications Carrier (IXC)
- ☐ Interconnected Voice over Internet Protocol Service Provider (VoIP) \*

Please choose one of the following filing options to indicate the security level of the filing:

- ☒ **Public submission (NOT Proprietary or Highly Confidential)**
- ☐ **Non-Public submission (Highly Confidential or Proprietary filing)**  
(For this filing to be considered highly confidential or proprietary, additional submission of materials is required pursuant to Commission rule 4 CSR 240-3.540 and Section 392.210, RSMo, as found in the instructions inside this form.)

\*VoIP Providers are required to submit a Proprietary and Public Version regarding customer line counts pursuant to H.B. 1779 and Section 392.550 RSMo. See Instructions Page 1 for details.

for the calendar year of January 1 - December 31, 2008

**1. State in full the company's information below:**

13865 Sunrise Valley Drive			703-547-2000
Company Street Address			Telephone Number
			703-547-2881
Company Mailing Address			Fax Number
Herndon	VA	20171	
City	State	Zip	E-Mail Address

## 2. Missouri Commission Authorization

(A.) Identify the most recent case number(s) and the effective date(s) of any Commission orders authorizing the company to provide telecommunications and/or VoIP services. Include cases in which the Missouri Public Service Commission approved a company name change. Explanation should explain Commission action (e.g., "Granted certificate to provide basic local telecommunications services" or "Approved name change from Company A to Company B").

Case Number	Effective Date	Explanation
DA-2009-0107	18-Oct-08	Registration to offer and provide interconnected Voice over Internet Protocol (VoIP).

**(B.)** If the company is an incumbent local telecommunications company with status as a competitive company, identify the case number and effective date of the Commission Order granting competitive classification:

Case No.: \_\_\_\_\_ Date: \_\_\_\_\_

**3. This company is currently a (check appropriate box):**

☒ Corporation
 ☐ Sole Proprietorship
 ☐ LP

☐ Partnership
 ☐ LLC
 ☒ Other - Explain

**4. Annual Report Contact Information:** State in full the name, address, telephone number, and e-mail address of the company personnel or third-party preparer completing this Annual Report:

Sharon Adams			703-547-2615
Name			Telephone Number
13865 Sunrise Valley Drive			703-547-2630
Street Address			Fax Number
Mailing Address			sharon.e.adams@xo.com
			E-mail Address
Herndon	VA	20171	
City	State	Zip	

**5. Consumer Complaint Contact Information:** Please provide company contact information in the event a complaint is received from a company subscriber.

Name: Teresa Miller

Telephone Number: 877-912-4829

E-mail Address: regulatorygrievance@xo.com

(See Instructions Pages 6 - 7 for more information to complete this page.)

Annual Report of XO Communications Services, Inc.

for the calendar year of January 1 - December 31, 2008

6. Please provide the current name, address, telephone number and e-mail address for the regulatory contact person in the company. This information should be the same as shown in the Electronic Filing and Information System (EFIS), required by 4 CSR 240-3.545 (22) for telecommunications companies.

Name	<u>Rex Knowles</u>	Telephone Number	<u>801-983-1504</u>
Street Address	<u>7050 Union Park Center</u>	Fax Number	<u>801-514-0589</u>
Mailing Address		E-mail Address	<u>rex.knowles@xo.com</u>
City	<u>Midvale</u>	State	<u>UT</u>
		Zip	<u>84047</u>

7. Identify the principal or general officers of the company at the end of the year. Please include an additional sheet, if enough space is not provided on this page, to completely provide the requested information.

Title of General Officer	Name of Person Holding Office
<u>SEE ATTACHMENT</u>	

8. Please provide a list of all mergers, consolidations, and reorganizations involving the registered or certificated company and completed during the last year.

N/A

(See Instructions Page 7 for more information to complete this page. )

## 9. Please provide the following information concerning the company's revenues for this calendar year:

Row	Revenues:	MO Jurisdictional	Total Company <sup>1</sup>
1.	<b>Local Service Revenues</b> includes revenues attributed to local telecommunications services, extended area service, secondary features such as call forwarding, caller ID, local operator services, directory-related services, etc. and for VoIP service.	REDACTED	SEE ATTACHMENT
2.	<b>Interexchange Revenues</b> includes revenues attributed to interexchange telecommunications services such as toll services, 800 services, interexchange	REDACTED	
3.	<b>Non-Switched Telecommunications Service Revenues</b> includes revenues attributed to retail local and interexchange private line services (but not special access or private line services provided to other telecommunications carriers).	REDACTED	
4.	<b>Bundled or Packaged Revenues</b> includes any revenues whereby the company is providing voice services in combination with multiple services whereby revenue can not be easily attributed to local, interexchange or non-switched categories. If such bundles includes Internet, video or some non-regulated service then the company's revenue shall be based on the company's rate offer for solely voice services. The excess revenue associated with the bundled service which is over the amount related to revenue associated with voice only service shall be recorded in the Total Company column. If voice service is only offered as part of a bundled service, the company shall identify all revenue associated with the bundle of services in the Missouri Jurisdictional column.	REDACTED	
5.	<b>Retail Uncollectible Revenues</b> from telecommunications revenues. (This amount is generally a negative number.)		
6.	<b>RETAIL SUBTOTAL</b> (This amount should equal the total of Rows 1 - 5 above.)	\$ -	\$ -
7.	<b>Wholesale Revenues</b> includes intrastate switched, private line, and special access service revenues, carrier billing and collection revenues, and any other revenues derived from other telecommunications carriers.	REDACTED	
8.	<b>Miscellaneous Revenues</b> includes directory revenues, rent revenues, corporate operations revenues, special billing arrangements, customer operations, plant operations, other incidental regulated revenues, and other revenue settlements.	REDACTED	
9.	<b>Other Uncollectible Revenues</b> from other revenues. (This amount is generally a negative number.)		
10.	<b>High-Cost Federal USF Revenues</b> includes all revenues received as support from the Universal Service Fund for the High-Cost program.	REDACTED	
11.	<b>Other Federal USF Revenues</b> includes all revenues received as support from the Universal Service Fund for the following programs: Low Income, Schools and Libraries, and Rural Health.	REDACTED	
12.	<b>State USF Revenues</b> includes all revenues received as support from the Universal Service Fund.	REDACTED	
13.	<b>TOTAL</b> (This amount should equal the total of Rows 6 - 12 above.)	\$ -	\$ -

Total MO Jurisdictional Revenues (Row 13) should match revenues reported for PSC assessment purposes as reported by the company in its Statement of Revenue form.

	MO Jurisdictional
14. <b>Net Jurisdictional Revenues</b> used for MoUSF assessment purposes. (This amount should equal the Retail Subtotal (Row 6) above.)	\$ -

For additional definitions see:

"Telecommunications Service" as defined by Missouri Revised Statutes Section 386.020(54).

"Interconnected voice over internet protocol service" as defined by Section 386.020(23) RSMo.

FCC Part 32-Uniform System of Accounts for Telecommunications Companies.

<sup>1</sup> List total regulated (including interconnected VoIP revenue) and, if applicable, non-regulated revenue for company name as listed at the top of this page. Do not include revenues for any company NOT listed at the top of the page.

**10. Low Income and Disabled Universal Service Fund Subscriber Quantities**

Do you offer basic local telecommunications service or IVoIP service as listed under 386.020 RSMo.?

☐ Yes

☒ No

If yes, please quantify the number of low income and disabled subscribers as reported to USAC (federal support, Form 497) and to the Missouri Universal Service Fund administrator for the past calendar year. (Insert "0"s if you do not have such subscribers.)

Month	Number of Missouri Low Income Subscribers	Number of Missouri Disabled Subscribers
January		
February		
March		
April		
May		
June		
July		
August		
September		
October		
November		
December		
<b>TOTAL:</b>	0	0

(See Instructions Page 7 for more information to complete this page. )

2008

**11. Exchange Access Lines Provided to RESIDENTIAL Customers**

Exchange	Section A: Local Voice Service & IVolP Service			Section B: Other IVolP Provided to Other Entities
	Full Facility	Partial Facility	Resale	
0	0	0	0	0
Totals:	0	0	0	0

Completion of Page 5(a) **required only** for companies providing local voice services as listed under 392.245.5(3) RSMo. or IVoIP service as listed under 386.020 RSMo.

VoIP providers must submit this page as proprietary (P); see Instructions Page 1 for submission requirements.

(See Instructions Pages 7 - 9 for more information to complete this page.)

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Exchange Access Lines Provided to BUSINESS Customers

Exchange	Section A: Local Voice Service & Interconnected VoIP Service			Section B: Other	Section C: ISP
	Full Facility	Partial Facility	Resale	IVoIP to Non-Certificated Carriers	Internet Service Provider
St. Louis		REDACTED	REDACTED	Data Not Available	Data Not Available
<b>Totals:</b>	0	0	0	0	0

Completion of Page 5(b) required only for companies providing local voice services as listed under 392.245.5(3) RSMo. or IVoIP service as listed under 386.020 RSMo.

VoIP providers must submit this page as proprietary (P); see Instructions Page 1 for submission requirements.

(See Instructions Pages 7 - 9 for more information to complete this page. )

NP

**Relay Missouri Annual Billing, Collections and Retention**

13. Do you offer basic local telecommunications service or IVoIP service as listed under 386.020 RSMo.?

☐ Yes  
☒ No

If yes, complete the following:

Month	Relay Missouri Revenue Collected	Relay Missouri Retention Amount	Relay Missouri Revenue Remitted to Commission
January	REDACTED	REDACTED	REDACTED
February	REDACTED	REDACTED	REDACTED
March	REDACTED	REDACTED	REDACTED
April	REDACTED	REDACTED	REDACTED
May	REDACTED	REDACTED	REDACTED
June	REDACTED	REDACTED	REDACTED
July	REDACTED	REDACTED	REDACTED
August	REDACTED	REDACTED	REDACTED
September	REDACTED	REDACTED	REDACTED
October	REDACTED	REDACTED	REDACTED
November	REDACTED	REDACTED	REDACTED
December	REDACTED	REDACTED	REDACTED
Total	\$ -	\$ -	\$ -

14. Please indicate the per line value of the Relay Missouri Surcharge you charge your customers each month.

\$ 0.13

15. If your firm did not impose the Relay Missouri Surcharge, please explain:

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(See Instructions Page 7 for more information to complete this page. )

**Annual Report of XO Communications Services, Inc.**

**for the calendar year of January 1 - December 31, 2008**

**VERIFICATION**

The foregoing report must be verified by the oath of the President, Treasurer, General Manager or Receiver of the company. The oath required may be taken before any person authorized to administer an oath (Notary Public) by the laws of the State in which the same is taken.

**OATH**

State Of Virginia }  
County Of Fairfax } ss:

John Calys makes oath and says that  
Name of Affiant (Company Official/Representative)

s/he is Controller  
Official Title of the Affiant (Company Official/Representative)

of XO Communications Services, Inc.  
Exact Legal Title or Name of the Respondent (Certificated Company Name)

and is located at 13865 Sunrise Valley Drive Herndon, VA 20171  
Address and Telephone Number of the Affiant (Company Official/Representative)

that s/he has examined the foregoing report; that to the best of his or her knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent.

from January 1, 2008, to and including December 31, 2008  
Month/Day Year Month/Day Year

John Calys  
Signature of Affiant (Company Official/Representative)

Subscribed and sworn to before me, a Notary Public, in and for the State and County above named,

this 21 day of May, 2009

My Commission expires

July 31, 2011

John G. Simpson  
Signature of Notary Public

# 4067424

Missouri Revised Statutes § 392.230 or § 393.140

(See Instructions Pages 9 for more information to complete this page.)

NP

**XO Holdings, Inc.**  
**Consolidated Balance Sheets**  
(in thousands, except for share and per share data)

	December 31, 2008	December 31, 2007
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents.....	\$ 256,747	\$ 108,075
Marketable securities .....	117,148	885
Accounts receivable, net of allowance for doubtful accounts of \$9,727 and \$10,116, respectively .....	152,622	131,705
Prepaid expenses and other current assets .....	41,200	30,928
Total current assets .....	567,717	271,593
Property and equipment, net.....	724,404	720,396
Intangible assets, net.....	53,515	53,515
Other assets.....	30,348	44,622
Total Assets.....	<u>\$ 1,375,984</u>	<u>\$1,090,126</u>
<b>LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' (DEFICIT) EQUITY</b>		
Current Liabilities		
Accounts payable .....	\$ 93,547	\$ 106,488
Accrued liabilities .....	221,356	253,003
Total current liabilities .....	314,903	359,491
Long-term debt and accrued interest payable to related parties .....	—	377,213
Deferred revenue, less current portion .....	29,715	17,168
Other liabilities .....	55,215	57,630
Total Liabilities.....	399,833	811,502
Class A convertible preferred stock.....	259,948	244,811
Class B convertible preferred stock.....	573,795	—
Class C perpetual preferred stock.....	200,877	—
Commitments and contingencies		
Stockholders' (Deficit) Equity		
Preferred stock: par value \$0.01 per share, 200,000,000 shares authorized; 4,000,000 shares of Class A convertible preferred stock issued and outstanding; 555,000 shares of Class B convertible preferred stock issued and outstanding on December 31, 2008 and none issued as of December 31, 2007; 225,000 shares of Class C perpetual preferred stock issued and outstanding on December 31, 2008 and none issued as of December 31, 2007 .....	—	—
Warrants, common stock and additional paid in capital: par value \$0.01 per share, 1,000,000,000 shares authorized; 182,075,035 shares issued and outstanding .....	941,270	953,427
Accumulated other comprehensive loss .....	(4,844)	—
Accumulated deficit.....	(994,895)	(919,614)
Total Stockholders' (Deficit) Equity.....	(58,469)	33,813
Total Liabilities, Redeemable Preferred Stock and Stockholders' (Deficit) Equity .....	<u>\$ 1,375,984</u>	<u>\$1,090,126</u>

See accompanying notes to the consolidated financial statements.

**XO Holdings, Inc.**  
**Consolidated Statements of Operations**  
(in thousands, except for share and per share data)

	Years Ended December 31,		
	2008	2007	2006
Revenue .....	\$ 1,477,610	\$ 1,428,665	\$1,416,843
Cost and expenses			
Cost of service (exclusive of depreciation and amortization) .....	871,445	815,012	825,178
Selling, general and administrative .....	497,616	508,901	500,602
Depreciation and amortization .....	189,228	206,953	201,222
Loss on write-down of assets .....	4,134	7,936	3,538
Total costs and expenses .....	<u>1,562,423</u>	<u>1,538,802</u>	<u>1,530,540</u>
Loss from operations .....	(84,813)	(110,137)	(113,697)
Interest income .....	7,398	8,182	8,691
Other income .....	257	2,205	—
Investment gain, net .....	19,187	20,863	5,193
Interest expense, net .....	<u>(21,322)</u>	<u>(37,681)</u>	<u>(32,077)</u>
Net loss before income taxes .....	(79,293)	(116,568)	(131,890)
Income tax benefit (expense) .....	<u>4,012</u>	<u>(787)</u>	<u>—</u>
Net loss .....	(75,281)	(117,355)	(131,890)
Preferred stock accretion .....	<u>(41,794)</u>	<u>(14,269)</u>	<u>(13,486)</u>
Net loss allocable to common shareholders .....	<u>\$ (117,075)</u>	<u>\$ (131,624)</u>	<u>\$ (145,376)</u>
Net loss allocable to common shareholders per common share, basic and diluted .....	<u>\$ (0.64)</u>	<u>\$ (0.72)</u>	<u>\$ (0.80)</u>
Weighted average shares, basic and diluted .....	<u>182,075,035</u>	<u>182,048,182</u>	<u>181,970,946</u>

See accompanying notes to the consolidated financial statements.

**XO Holdings, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
(In thousands, except for share data)

	Common Stock and Additional Paid-In-Capital		Deferred	Accumulated	Accumulated Other Comprehensive	Total
	Shares	Amount	Compensation	Deficit	Income (Loss)	
Balance at January 1, 2006.....	181,933,035	\$ 976,447	\$ (77)	\$ (659,889)	\$ 820	\$317,301
Cumulative effect of the application of SAB 108 as of January 1, 2006.....	—	—	—	(10,480)	—	(10,480)
Adjusted Balance at January 1, 2006.....	181,933,035	976,447	(77)	(670,369)	820	306,821
Stock-based compensation and issuance of common stock through employee benefit plans.....	68,250	2,510	—	—	—	2,510
Amortization of deferred compensation, net of forfeitures.....	—	(77)	77	—	—	—
Preferred stock accretion.....	—	(13,486)	—	—	—	(13,486)
Comprehensive loss:						
Net loss.....	—	—	—	(131,890)	—	(131,890)
Net unrealized holding gains on available-for-sale securities.....	—	—	—	—	60	60
Total comprehensive loss.....	—	—	—	(131,890)	60	(131,830)
Balance at December 31, 2006.....	182,001,285	965,394	—	(802,259)	880	164,015
Stock-based compensation and issuance of common stock through employee benefit plans.....	73,750	2,302	—	—	—	2,302
Preferred stock accretion.....	—	(14,269)	—	—	—	(14,269)
Comprehensive loss:						
Net loss.....	—	—	—	(117,355)	—	(117,355)
Net unrealized holding losses on available-for-sale securities.....	—	—	—	—	(880)	(880)
Total comprehensive loss.....	—	—	—	(117,355)	(880)	(118,235)
Balance at December 31, 2007.....	182,075,035	953,427	—	(919,614)	—	33,813
Stock-based compensation.....	—	1,445	—	—	—	1,445
Issuance of preferred stock under stock purchase agreement.....	—	28,192	—	—	—	28,192
Preferred stock accretion.....	—	(41,794)	—	—	—	(41,794)
Comprehensive loss:						
Net loss.....	—	—	—	(75,281)	—	(75,281)
Net unrealized holding losses on available-for-sale securities.....	—	—	—	—	(4,844)	(4,844)
Total comprehensive loss.....	—	—	—	(75,281)	(4,844)	(80,125)
Balance at December 31, 2008.....	182,075,035	\$ 941,270	\$ —	\$ (994,895)	\$ (4,844)	\$ (58,469)

See accompanying notes to the consolidated financial statements.

**XO Holdings, Inc.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Years Ended December 31,		
	2008	2007	2006
<b>OPERATING ACTIVITIES:</b>			
Net loss .....	\$ (75,281)	\$ (117,355)	\$ (131,890)
Adjustments to reconcile net loss to net cash provided by operating activities .....			
Depreciation and amortization.....	189,228	206,953	201,222
Accrued interest converted to long term debt.....	18,627	40,563	35,537
Provision for doubtful accounts.....	13,271	18,166	32,607
Stock-based compensation .....	1,445	1,933	2,169
Gain from investments .....	(35,928)	(21,518)	(5,156)
Impairment loss on marketable securities.....	16,519	655	—
Changes in reserve and liability estimates.....	—	(26,299)	(23,583)
Loss on write-down of assets.....	4,134	7,936	3,538
Changes in assets and liabilities .....			
Accounts receivable.....	(34,188)	(3,593)	(26,211)
Other assets.....	(23,914)	(3,330)	(3,225)
Accounts payable.....	3,676	(3,997)	(12,476)
Accrued liabilities.....	(5,975)	39,420	25,125
Net cash provided by operating activities .....	<u>71,614</u>	<u>139,534</u>	<u>97,657</u>
<b>INVESTING ACTIVITIES:</b>			
Capital expenditures.....	(216,958)	(215,182)	(118,878)
Proceeds from fixed asset sales.....	2,969	602	2,705
Purchases of available-for-sale investments.....	(137,178)	—	—
Proceeds from the sale of available-for-sale investments .....	132	—	—
Proceeds from recovery of investment.....	57,439	21,518	12,718
Net cash used in investing activities .....	<u>(293,596)</u>	<u>(193,062)</u>	<u>(103,455)</u>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from preferred stock issuance.....	329,242	—	—
Proceeds from related party note.....	75,000	—	—
Payments of long-term debt.....	(22,285)	—	—
Financing costs.....	(4,741)	—	—
Payments on capital leases.....	(6,562)	(7,328)	(2,818)
Proceeds from employee stock option exercises.....	—	368	341
Net cash provided by (used in) financing activities .....	<u>370,654</u>	<u>(6,960)</u>	<u>(2,477)</u>
Net increase (decrease) in cash and cash equivalents .....	148,672	(60,488)	(8,275)
Cash and cash equivalents, beginning of period .....	108,075	168,563	176,838
Cash and cash equivalents, end of period .....	<u>\$ 256,747</u>	<u>\$ 108,075</u>	<u>\$ 168,563</u>
<b>SUPPLEMENTAL DATA:</b>			
Cash paid for interest .....	\$ 1,466	\$ 1,290	\$ 1,572
Cash paid for income taxes .....	\$ 951	\$ 4	\$ —
Accrued capital expenditures and capital leases .....	\$ 27,773	\$ 44,391	\$ 12,514
Non-cash debt extinguishment through issuance of preferred stock. \$	450,758	\$ —	\$ —
Increase in additional paid in capital related to the issuance of preferred stock.....	\$ 28,192	\$ —	\$ —

See accompanying notes to the consolidated financial statements.

**lited<sup>SM</sup>**