

**BEFORE THE STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION**

Joint Application of )  
)  
**Fusion Connect, Inc. (formerly known** )  
**as Fusion Telecommunications** )  
**International, Inc.)** )  
)  
and )  
)  
**MegaPath Cloud Company LLC** )  
)  
For Consent to a )  
Transaction That Will Result in a )  
Material Change to Ownership and )  
Control of MegaPath Cloud Company LLC )

Docket No. \_\_\_\_\_

**APPLICATION**

Fusion Connect, Inc. (formerly known as Fusion Telecommunications International, Inc.) (“Fusion”) and MegaPath Cloud Company LLC (“MegaPath” and together with Fusion, the “Applicants”), by their undersigned counsel, request approval, to the extent necessary, from the Minnesota Public Utilities Commission (“Commission”) to consummate the merger transaction described below (the “Transaction”), that will transfer an indirect controlling interest in MegaPath to Fusion. For strategic business reasons, Applicants request expedited review and approval of the Transaction. In support of this Application, the Applicants state:

**I. DESCRIPTION OF THE APPLICANTS**

**A. MegaPath Cloud Company LLC**

MegaPath is a Delaware limited liability company with its principal office located at 6800 Koll Center Parkway, Suite 200, Pleasanton, CA 94566. MegaPath is a nationwide business communications and network provider that helps businesses fully leverage the cloud. MegaPath provides fixed interconnected Voice over Internet Protocol (“VoIP”) and Internet

access services or integrated voice and data communications, including VoIP, IP, wireless broadband, and bundled VoIP and data services to small and medium-sized businesses and enterprise customers.<sup>1</sup> With over twenty years of expertise, MegaPath empowers businesses of all sizes to simplify operations, improve communications, increase productivity, and lower costs. In Minnesota, MegaPath provides fixed interconnected VoIP under its authority granted in Docket No. P5962/NA-98-1259 on February 22, 1999.<sup>2</sup>

MegaPath Holding Corporation (“MHC”), a Delaware corporation, is the ultimate parent of MegaPath. MHC does not provide telecommunications services and does not hold any federal or state certificate or license to provide services.<sup>3</sup>

## **B. Fusion**

Fusion, through its operating subsidiaries (“Fusion Companies”), provides digital voice and data communication services, including hosted VoIP and Session Initiated Protocol (“SIP”) trunking, and other enhanced communications services and features to businesses in the United States and Canada.

Fusion is a publicly traded Delaware corporation (NASDAQ: FSNN), with its headquarters located in 420 Lexington Avenue, Suite 1718, New York, New York 10170.<sup>4</sup>

---

<sup>1</sup> MegaPath has no residential customers.

<sup>2</sup> MegaPath does not hold a domestic Section 214 license from the Federal Communications Commission (the “FCC”). While MegaPath is a registered VoIP provider in eight states, including Minnesota, it neither holds nor is required to hold telecommunications authorizations in any of the states, except for Minnesota.

<sup>3</sup> MHC has no other subsidiaries that provide communications services.

<sup>4</sup> Effective May 4, 2018, that date on which Fusion and Birch Communications completed their merger transaction, majority ownership and control of Fusion is held by BCHI Holding, LLC, an intermediary holding company for individual investors. As of the date of this Application, a majority controlling interest in BCHI Holdings, LLC is held by Holcombe T. Green, Jr., a U.S. citizen. The Commission reviewed this transaction in Docket No. P6347,5691/PA-17-806; *In the Matter of the Joint Application of BCHI Holdings, LLC, Fusion Telecommunications International, Inc., and Network Billing*

Fusion holds Section 214 authority from the FCC to provide interstate and international telecommunications services. Fusion does not hold authority to provide intrastate telecommunications services within any state.

Fusion's wholly-owned indirect subsidiary, Network Billing Systems, LLC ("NBS"), is a New Jersey limited liability company with corporate headquarters located at 695 U.S. Route 46 West, Fairfield, New Jersey 07004.<sup>5</sup> NBS provides unified communications ("UC") and hosted voice and data services, broadband Internet access service, interconnected VoIP, data networks, and traditional voice solutions primarily to business customers throughout the United States. In Minnesota, the Commission has authorized NBS to provide resold interexchange telecommunications services pursuant to a Certificate of Authority ("COA") granted in Docket No. P-5691/NA-98-1250. Additionally, NBS holds authority to offer intrastate telecommunications services in 46 other states. NBS holds Section 214 authority from the FCC to provide interstate and international telecommunications services.

As a result of the consummation of the Fusion/Birch Merger on May 4, 2018, a number of Birch Communications Holdings Inc. operating companies have become wholly-owned subsidiaries of Fusion, including Cbeyond Communications, LLC ("Cbeyond"), which operates in Minnesota. Cbeyond, which is a Delaware limited liability company, has principal offices at 320 Interstate North Parkway SE, Atlanta, GA 30339. In Minnesota, the Commission authorized

---

*Systems, LLC for Consent to Transfer of Ownership and Control of Network Billing Systems, LLC* ("Fusion/Birch Merger"). An Order of Approval was issued on January 24, 2018.

<sup>5</sup> NBS is currently taking steps to change its name to Fusion, LLC and will make the appropriate filing with the Commission to effectuate this change in the near future.

Cbeyond to operate as a competitive local exchange carrier and interexchange carrier in Docket No. P-6347/NA-03-1915 on January 16, 2004.<sup>6</sup>

## **II. CONTACT INFORMATION**

For purposes of this Application, contacts for the Applicants are as follows:

### **For MegaPath:**

Katherine K. Mudge  
Enoch Keever, PLLC  
5918 W. Courtyard Dr., Ste. 500  
Austin, Texas 78730  
Tel: (512) 615-1233  
Fax: (512) 615-1198  
Email: [kmudge@enochkeever.com](mailto:kmudge@enochkeever.com)

With a copy to:

Birch Blair  
Vice President & General Counsel  
MegaPath Holding Corporation  
6800 Koll Center Parkway, Ste. 200  
Pleasanton, CA 94566  
[birch.blair@megapath.com](mailto:birch.blair@megapath.com)

### **For Fusion:**

Winafred Brantl  
Kelley Drye & Warren LLP  
3050 K St., NW #400  
Washington, DC 20007  
Tel: (202) 945-6649  
Fax: (202) 342-8451  
Email: [wbrantl@kelleydrye.com](mailto:wbrantl@kelleydrye.com)

With a copy to:

James P. Prenetta, Jr.  
Executive Vice President & General Counsel  
Fusion Connect, Inc.  
420 Lexington Avenue, Suite 1718  
New York, New York 10170  
Email: [jprenetta@fusionconnect.com](mailto:jprenetta@fusionconnect.com)

## **III. DESCRIPTION OF TRANSACTION**

### **A. The Transaction**

On May 4, 2018, Fusion and its wholly-owned subsidiary, Fusion MPHC Acquisition Corp., a Delaware corporation (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”), with MHC and Shareholder Representative Services LLC, a Colorado limited liability company (solely in its capacity as the representative of the stockholders and option holders of MHC). The Merger Agreement provides, among other

---

<sup>6</sup> The Transaction is not expected to have any near-term effect upon the respective operations of NBS and Cbeyond in Minnesota.

things, that upon the terms and subject to the conditions set forth therein, MHC will merge with and into Merger Sub, with MHC continuing as the surviving company and as a wholly-owned subsidiary of Fusion.<sup>7</sup> MegaPath will continue to provide its VoIP and other services to its customers as a wholly-owned subsidiary of Fusion.

On the effective date of the Transaction, all of the outstanding shares of common stock, \$0.001 par value per share, of MHC and all of the outstanding shares of preferred stock, \$0.001 per share, of MHC (other than Dissenting Shares (as defined in the Merger Agreement) and any shares of MHC capital stock to be cancelled in accordance with the terms of the Merger Agreement) will be converted automatically into the right to receive, in accordance with the terms of the Merger Agreement, their respective portion of the Merger Consideration (as defined below), upon the terms and subject to the conditions set forth in the Merger Agreement. The total consideration to be paid by Fusion under the Merger Agreement is \$71.5 million (the “Merger Consideration”), of which up to \$10.0 million may be paid by Fusion, at its election, in shares of its common stock, par value \$0.01 per share (the “Common Stock”) with the exact number of shares of Common Stock to be determined in accordance with the terms of the Merger Agreement. The Transaction will be transparent to MegaPath customers.

For the Commission’s convenience, pre- and post-Transaction corporate organizational charts for Fusion and MegaPath are attached hereto as Exhibit 1.

The Applicants intend to consummate the Transaction as soon as possible following receipt of approval from this Commission and satisfaction or waiver of various other closing conditions set forth in the Merger Agreement. For strategic business reasons, the Applicants

---

<sup>7</sup> A copy of the Merger Agreement was filed as an Exhibit to Fusion’s Current Report on Form 8-K which was filed by Fusion with the Securities and Exchange Commission (“SEC”) on May 10, 2018. A copy of this filing may be obtained from the SEC at [www.sec.gov](http://www.sec.gov) or from Fusion’s web site at [www.fusionconnect.com](http://www.fusionconnect.com).

strongly desire to close the Transaction on or prior to June 15, 2018 and, therefore, respectfully request expedited review and approval by the Commission.

#### **IV. PUBLIC INTEREST CONSIDERATIONS**

The Applicants submit that approval of the proposed Transaction will promote the public interest, convenience, and necessity. The Transaction will bring together MegaPath, with its award-winning and successful array of services, including VoIP, and one of the largest, publicly-traded cloud service providers in North America. The joined resources of these two communications operations will allow Fusion and MegaPath to increase the breadth and innovative caliber of their respective service offerings and to further MegaPath's nationwide coverage to small, medium, and enterprise business customers.

The Transaction will not adversely impact consumers in Minnesota. MegaPath and Fusion (through its operating subsidiaries), are each well-established communications service providers with decades of experience operating in the United States. The financial, technical, and managerial qualifications of these companies are a matter of record with the Commission, which has reviewed their respective qualifications to operate and own regulated telecommunications carriers on previous occasions.<sup>8</sup>

The Transaction is structured to ensure seamless continuity of services to MegaPath's customers. These customers will continue to be served by MegaPath. Immediately following consummation of the Transaction, MegaPath will continue to provide service to its customers with no change in their rates, terms, or conditions of service. The Transaction will, therefore, be

---

<sup>8</sup> See, *Joint Application of MegaPath Corporation and MegaPath Cloud Company for Approval to Assign a Certificate of Authority and to Transfer Certain Assets*, Order, Docket No. P-5692/PA-15238; P-5692/RL-15-82; P-5692, 6857/PA-14817 (April 10, 2016); *Fusion/Birch Merger*, Order at 3.

virtually transparent to MegaPath's customers with respect to the services they currently receive.<sup>9</sup>

## V. TRANSACTION CHECKLIST

Applicants provide the following responses to the Commission's "Criteria for Transfer of Control Application" issued in Docket No. CI-07-192, as well as the Minnesota Department of Commerce's checklist.

**a) State the current transaction will not be completed prior to the Commission's approval.**

Applicants confirm that the Transaction will not be completed prior to the Commission's approval.

**b) Attest that the acquiring party has the financial capability to continue to provide service to customers and include a copy of the parties' most recent financial statements.**

Fusion demonstrably has the financial capability to ensure continued provision of service to MegaPath customers upon completion of the Transaction. Indeed, the Commission found this to be the case in a considerably larger transaction as recently as January 28, 2018.<sup>10</sup> In support of its financial qualifications, Fusion notes that, in connection with the recently-completed Fusion/Birch Merger, on May 10, 2018 Fusion filed a Current Report on Form 8-K with the SEC that includes pro forma financial statements for the post-close Fusion-Birch companies as of December 31, 2017. This Form 8-K filing is available from the SEC at [www.sec.gov](http://www.sec.gov) or from Fusion's website at [www.fusionconnect.com](http://www.fusionconnect.com) (selecting "Investors" and then selecting "SEC Filings"). An excerpt from this Form 8-K report is attached hereto as Exhibit 2.

---

<sup>9</sup> As is appropriate for changes to ultimate ownership that are not visible to customers, Applicants do not propose to send a customer notice of the Transaction.

<sup>10</sup> Fusion/Birch Merger, Order at 3.

- c) State that no new 911 approvals are needed, or that the parties will obtain such approvals prior to the offering of local voice services.**

The Transaction involves a transfer of ultimate ownership of MegaPath and will not directly impact MegaPath's operations in Minnesota. Consequently, Applicants do not believe that any new 911 approvals or arrangements will be needed as a result of the Transaction.

- d) Address the intent of the parties with respect to the assumption or transfer of the parties' interconnection agreements.**

As the Transaction solely involves an indirect transfer of control of MegaPath, there are no current plans for the assumption or transfer of any interconnection agreements to which MegaPath or any Fusion subsidiary may be a party.

- e) Set forth the intent of the parties with respect to the release or return of NXX codes to the North American Numbering Plan Administration.**

As the Transaction solely involves an indirect transfer of control of MegaPath and will not directly impact the operations of MegaPath or any Fusion subsidiary operating in Minnesota, there are no current plans for the release or return of any NXX codes.

- f) Set forth the anticipated status of the acquired company following close of the transaction (i.e., will the entity continue to offer services in Minnesota or will the acquired entity be extinguished).**

The Transaction solely involves an indirect transfer of control of MegaPath and will not directly impact the operations of MegaPath or any Fusion subsidiary operating in Minnesota. After the close of the transaction, MegaPath will retain its certificate and continue to operate and offer services in Minnesota as it does today.

- g) Describe who shall be responsible for filing annual reports or making other regulatory filings following the close of the transaction, including the contact information for such person or internal department.**

Upon completion of the Transaction, MegaPath and the Fusion Companies operating in Minnesota will continue to be responsible for filing their respective annual reports and for



making any other required regulatory filings, including paying their respective regulatory fees. The Applicants do not anticipate any immediate changes to the contact information for the persons currently responsible for those filings and fee payments. However, in the event that any future changes are made to the persons responsible for regulatory compliance on behalf of MegaPath and/or the Fusion Companies operating in Minnesota or to their contact information, the Applicants will update such information as required by applicable Commission rules.

**h) Describe the parties' customer notification plans.**

As described above, the Transaction solely involves an indirect transfer of control of MegaPath and is expected to be transparent to MegaPath's customers. Consequently, notice to MegaPath's customers of the proposed change of ownership is not generally required.

**i) Describe the anticipated changes or include a statement that no tariff changes are necessary.**

No immediate changes to MegaPath tariffs will be necessary in connection with the Transaction because the rates, terms, and conditions of services currently offered to MegaPath customers will not change as a result of the Transaction. Fusion anticipates that, in time, it will change the name of MegaPath and that, at such time, appropriate regulatory filings, including revised tariff materials, will be submitted to the Commission.

**j) State that the parties agree to file with the Commission a notice of closing within 20 days of the completion of the transaction.**

Applicants agree to file a notice of closing within 20 days of the closing of the Transaction.

**k) Address Telephone Plan (TAP) questions.**

Applicants affirm that MegaPath does not have customers enrolled in TAP.<sup>11</sup> Moreover, as the Transaction solely involves an indirect transfer of control of MegaPath, it would not affect any TAP obligations.

**l) Describe projected impact on employees of each company involved in the proposed transaction.**

Applicants do not anticipate any material changes in employment or employment structures relating to MegaPath's operations in Minnesota.

**m) Describe how competition will be affected by the proposed transaction.**

The Transaction will not adversely impact competition in the Minnesota or the national telecommunications market. Demand for cloud and IP-based services continues on a trajectory of robust growth and new competitors continue to enter the market to meet that demand.

**n) Explain how broadband deployment will be impacted by the proposed transaction.**

Applicants will continue to provide broadband services as part of their service offerings.

---

<sup>11</sup> Applicants note that, similarly, neither NBS nor Cbeyond has customers enrolled in TAP.

**VI. CONCLUSION**

WHEREFORE, for the reasons set forth above, the Applicants respectfully submit that the public interest, convenience and necessity will be furthered by the Transaction. Applicants therefore request that the Commission expeditiously grant this Application and such additional relief as it may deem appropriate.

Respectfully submitted,

\_\_\_\_\_  
/s/ Katherine K. Mudge  
Katherine K. Mudge

Enoch Keever, PLLC  
5918 W. Courtyard Dr., Ste. 500  
Austin, Texas 78730  
Tel: (512) 615-1233  
Fax: (512) 615-1198  
Email: [kmudge@enochkeever.com](mailto:kmudge@enochkeever.com)

ATTORNEYS FOR MEGAPATH CLOUD  
COMPANY LLC

\_\_\_\_\_  
/s/ Winafred Brantl  
Winafred Brantl

Kelley Drye & Warren, LLP  
3050 K Street, N.W. #400  
Washington, D.C. 20007  
Tel: (202) 945-6649  
Fax: (202) 342-8451  
Email: [wbrantl@kelleydrye.com](mailto:wbrantl@kelleydrye.com)

ATTORNEYS FOR FUSION CONNECT, INC.

Date: May 10, 2018

STATE OF CALIFORNIA

§  
§  
§

COUNTY OF ALAMEDA

**VERIFICATION**

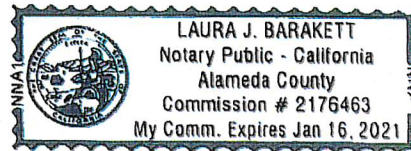
I, Birch Blair, state that I am Vice President and General Counsel of MegaPath Cloud Company, that I am authorized to make this verification on behalf of MegaPath Cloud Company, and its parent, MegaPath Holding Corporation; that I have read the foregoing document; and that the statements in the foregoing document with respect to MegaPath Cloud Company and/or its parent, MegaPath Holding Corporation, except as otherwise specifically attributed are true and correct to the best of my knowledge, information, and belief.

  
\_\_\_\_\_  
Birch Blair

Sworn and subscribed before me this 9 day of May, 2018.

  
\_\_\_\_\_  
Notary Public

My commission expires: Jan 16, 2021.



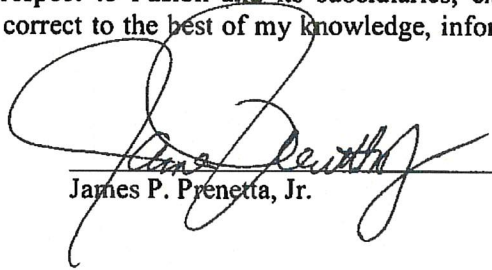
STATE OF NEW YORK

COUNTY OF NEW YORK


§  
§  
§

**VERIFICATION**

I, James P. Prenetta, Jr., state that I am the Executive Vice President and General Counsel of Fusion Connect, Inc. ("Fusion"); that I am authorized to make this Verification on behalf of Fusion and its wholly-owned subsidiaries; that I have read the foregoing document; and that the statements in the foregoing document with respect to Fusion and its subsidiaries, except as otherwise specifically attributed, are true and correct to the best of my knowledge, information, and belief.

  
James P. Prenetta, Jr.

Sworn and subscribed before me this 8 day of May, 2018.

  
Notary Public

My commission expires: 02/27/2020.

LAURA V NADAL UCEDA  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01NA6256571  
My Commission Expires 02/27/2020

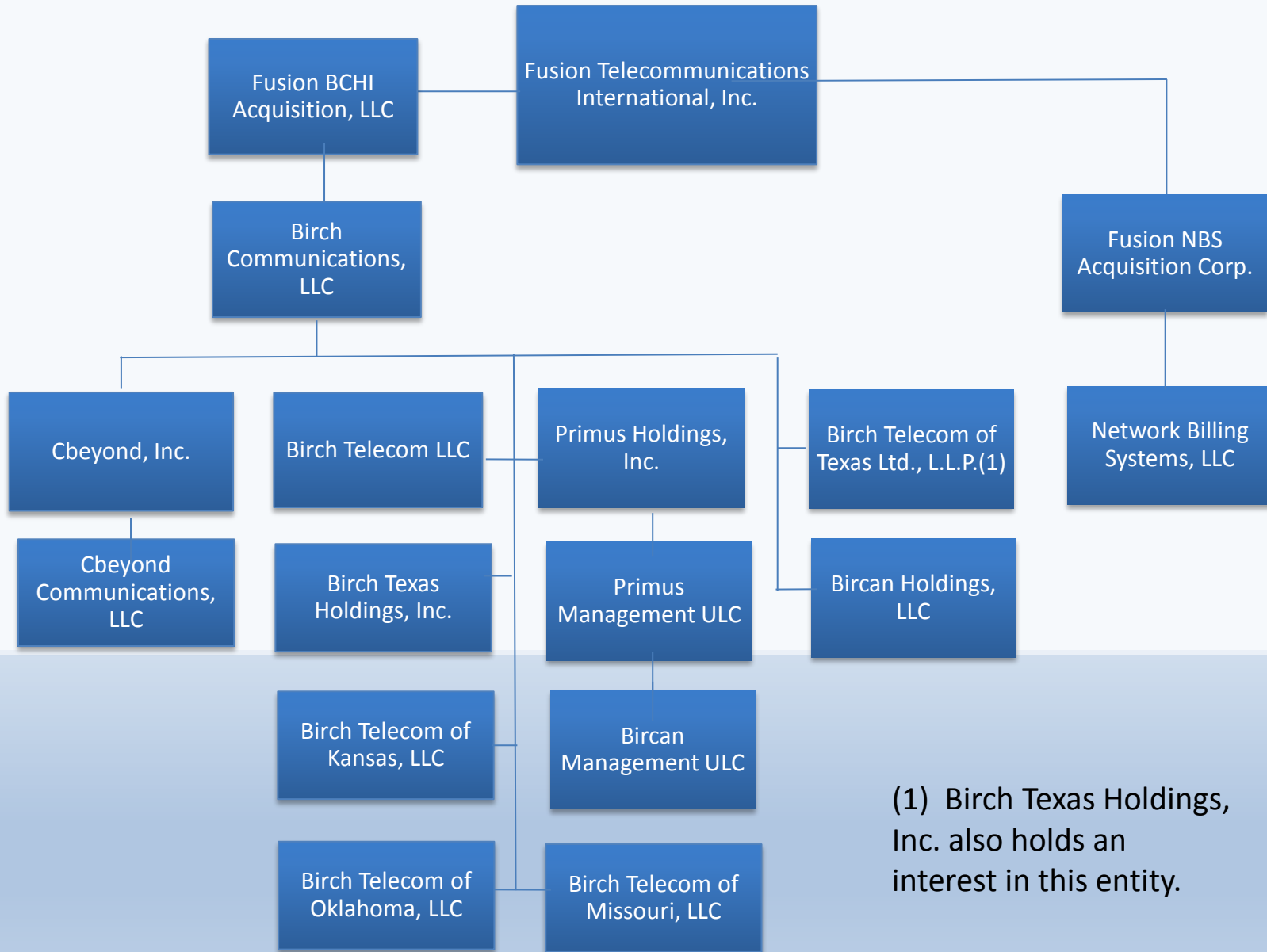
## **LIST OF EXHIBITS**

- |           |   |
|-----------|---|
| Exhibit 1 | Pre- and Post-Close Corporate Organization Charts                 |
| Exhibit 2 | Pro forma Financial Statements for Fusion as of December 31, 2017 |

**EXHIBIT 1**

**PRE- AND POST-CLOSE CORPORATE ORGANIZATION CHARTS**

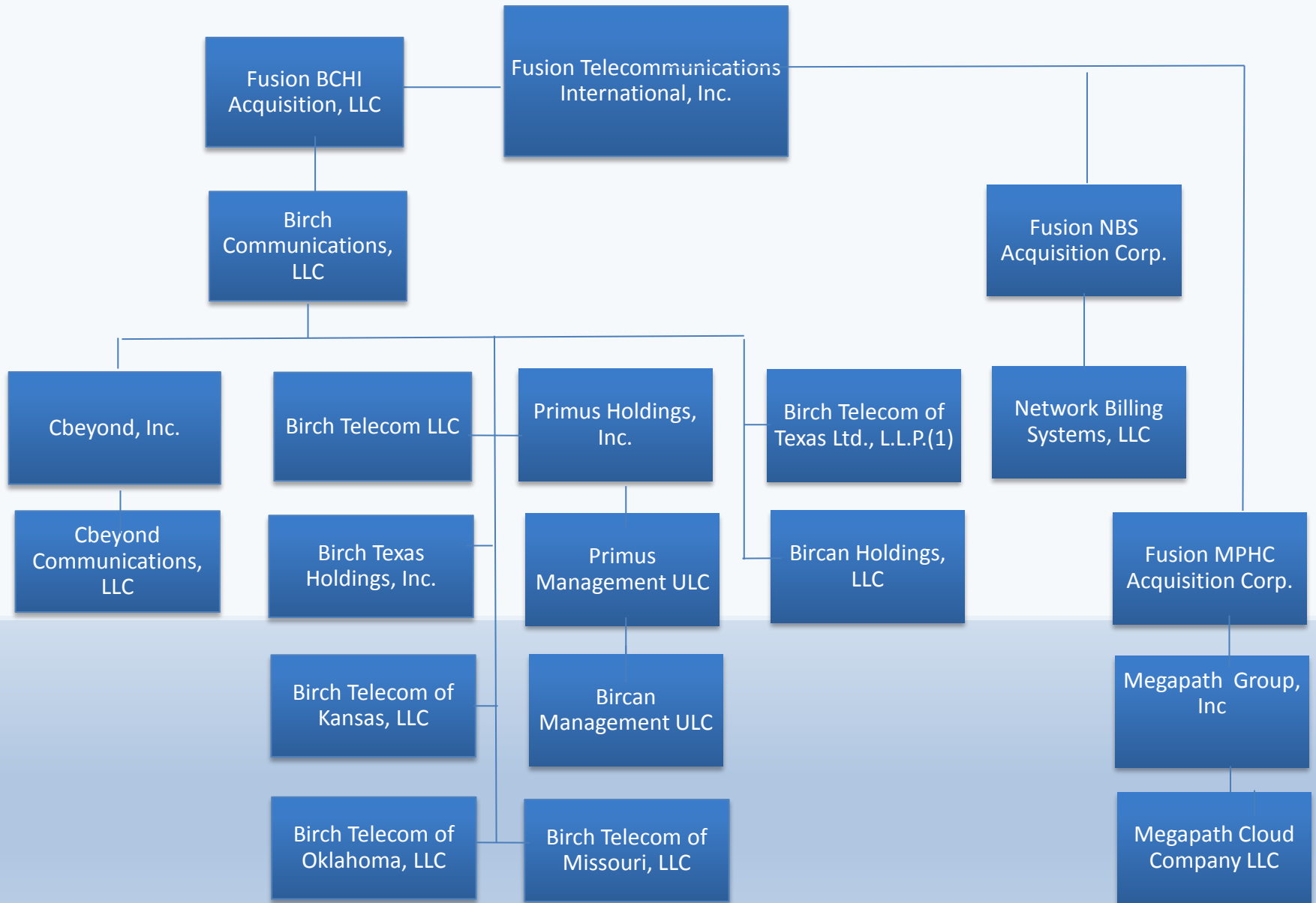
# PRE-TRANSACTION CORPORATE ORGANIZATIONAL CHART



(1) Birch Texas Holdings, Inc. also holds an interest in this entity.



# POST-TRANSACTION CORPORATE ORGANIZATIONAL CHART



**EXHIBIT 2**

**PRO FORMA FINANCIAL STATEMENTS FOR  
FUSION AS OF DECEMBER 31, 2017**

## **SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined balance sheet as of December 31, 2017 and the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2016 are derived from the historical consolidated financial statements of Fusion Telecommunications International, Inc. (n/k/a Fusion Connect, Inc.) (“Fusion”) after giving effect to the merger transaction with Birch Communications Holdings, Inc. (“BCHI”) and after giving effect to the other transactions contemplated by the Agreement and Plan of Merger, dated as of August 26, 2017, as amended (the “Merger Agreement”), including the issuance of the Merger Shares, the Consumer Spin-off and the Carrier Spin-off (as each such term is defined in the Merger Agreement), and related financing transactions.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 give pro forma effect to the business combination as if it had occurred on January 1, 2017. The unaudited pro forma condensed combined balance sheet as of December 31, 2017 assumes that the business combination and the related financing transactions were effective on December 31, 2017.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2017 are derived from Fusion's audited consolidated statement of operations and the audited consolidated statement of operations of BCHI, in each case, for the year ended December 31, 2017. In accordance with the terms of the Merger Agreement, the unaudited pro forma combined statements of operations for the year ended December 31, 2017 give effect to the Consumer Spin-off and the Carrier Spin-off.

The unaudited pro forma condensed financial information has been prepared by Fusion using the acquisition method of accounting under the provisions of Accounting Standards Codification (referred to as ASC) 805, “*Business Combinations*.” As the number of shares of Fusion common stock issued to the former shareholders of BCHI at closing resulted in a change in control of Fusion, the transaction has been accounted for as a reverse acquisition and BCHI has been treated as the acquirer in the business combination for accounting purposes. The acquisition accounting is based upon certain valuation and other estimates. The pro forma adjustments have been made solely for the purpose of providing unaudited pro forma condensed financial statements prepared in accordance with the rules and regulations of the Securities and Exchange Commission.

The following unaudited pro forma financial statements are based on, and should be read in conjunction with:

- Fusion’s audited financial statements and the related notes thereto for the year ended December 31, 2017 included in the Company’s Annual Report on Form 10-K filed on March 22, 2018.
- BCHI’s audited consolidated financial statements as of and for the year ended December 31, 2017 filed with this Current Report on Form 8-K.

The pro forma financial statements give effect to the following transactions:

- The merger of BCHI with and into a wholly-owned subsidiary of Fusion, with the merger subsidiary being the survivor of that merger.
- The Consumer Spin-off and the Carrier Spin-off.
- The refinancing of all of the outstanding indebtedness of Fusion and BCHI through new first lien and second lien term loans totaling \$650 million with an average interest rate of 9.77%
- The sale by Fusion at the closing of the merger of \$5 million of shares of its common stock and \$15 million of shares of its new series D preferred stock.

The pro forma adjustments are based on the information currently available and the assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes. The unaudited pro forma financial statements are for informational purposes only, are not indications of future performance, and should not be considered indicative of actual results that would have been achieved had the forgoing transactions actually been consummated on the dates or at the beginning of the periods presented.

Fusion Telecommunications International, Inc.  
 Unaudited Pro Forma Condensed Combined Balance Sheet  
 As of December 31, 2017  
 (In thousands, except share data)

	Pro Forma Adjustments													
	Fusion	Birch	New Debt Financing	Repayment of existing indebtedness	Carrier Services Spin-Off	Consumer Spin-Off	Additional Equity	Merger Adjustments	Asset Impairment	Pro Forma Combined				
<b>ASSETS</b>														
<b>Current assets:</b>														
Cash and cash equivalents	\$ 2,530	\$ 5,757	\$ 596,003	(a)	\$ (547,463)	(e,f)	\$ (58)	\$ (256)	19,158	(h)	\$ 75,671			
Accounts receivable, net of allowance for doubtful accounts	12,963	34,921	-	-	-	(2,228)	-	(8,703)	-	-	36,953			
Inventory	-	1,179	-	-	-	-	-	(37)	-	-	1,142			
Prepaid expenses and other current assets	2,091	10,054	-	-	(482)	(1,142)	-	-	-	-	10,521			
Accounts receivable - employees/stockholders	-	920	-	(920)	-	-	-	-	-	-	-			
<b>Total current assets</b>	<b>17,584</b>	<b>52,831</b>	<b>596,003</b>		<b>(548,383)</b>		<b>(10,138)</b>		<b>19,158</b>		<b>124,287</b>			
<b>Property and equipment, net</b>	<b>12,857</b>	<b>85,675</b>	<b>-</b>		<b>-</b>		<b>(18)</b>		<b>4,029</b>	<b>(c,d)</b>	<b>(1,297)</b>	<b>(g)</b>	<b>100,033</b>	
<b>Other assets:</b>														
Security deposits	616	-	-	-	(3)	-	-	-	-	-	-	-	613	
Restricted cash	27	-	-	-	-	-	-	-	-	-	-	-	27	
Goodwill	34,774	93,356	-	-	-	-	(3,548)	23,327	(c)	-	-	-	147,909	
Intangible assets, net	56,156	115,359	-	-	-	-	(23,856)	35,954	(c,d)	(5,854)	(i)	-	177,759	
Other assets	44	877	-	-	-	-	(157)	-	-	-	-	-	764	
<b>Total other assets</b>	<b>91,617</b>	<b>209,592</b>	<b>-</b>		<b>-</b>		<b>(3)</b>	<b>(27,561)</b>		<b>59,281</b>		<b>(5,854)</b>	<b>327,073</b>	
<b>TOTAL ASSETS</b>	<b>\$ 122,058</b>	<b>\$ 348,098</b>	<b>\$ 596,003</b>		<b>\$ (548,383)</b>		<b>\$ (2,789)</b>	<b>\$ (38,912)</b>	<b>\$ 19,158</b>	<b>\$ 63,310</b>		<b>\$ (7,151)</b>	<b>\$ 551,392</b>	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>														
<b>Current liabilities:</b>														
Current portion of long-term debt	6,500	30,000	27,750	(a)	(36,500)	(e)	-	-	-	-	-	-	27,750	
Obligations under asset purchase agreements - current portion	228	-	-	-	-	-	-	-	-	-	-	-	228	
Equipment financing obligation	1,207	3,003	-	-	-	-	-	-	-	-	-	-	4,210	
Accounts payable and accrued expenses	25,089	94,100	-	-	-	(2,993)	(7,820)	-	-	-	-	-	108,376	
Deferred Revenue	-	12,601	-	-	-	-	(2,318)	-	-	-	-	-	10,283	
Line of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total Current liabilities</b>	<b>33,024</b>	<b>139,704</b>	<b>27,750</b>		<b>(36,500)</b>		<b>(2,993)</b>	<b>(10,138)</b>					<b>150,847</b>	
<b>Long-term liabilities:</b>														
Notes payable - non-related parties, net of discount	31,953	-	-	-	(31,953)	(e)	-	-	-	-	-	-	-	
Long-term debt	-	420,936	-	-	(417,670)	(e)	-	-	-	-	-	-	3,266	
Term loan	54,223	-	568,253	(a)	(54,223)	(e)	-	-	-	-	-	-	568,253	
Indebtedness under revolving credit facility	1,500	-	-	-	(1,500)	-	-	-	-	-	-	-	-	
Obligations under asset purchase agreements	222	-	-	-	-	-	-	-	-	-	-	-	222	
Other non-current liabilities	-	12,847	-	-	-	-	(352)	-	-	-	-	-	12,495	
Notes payable - related parties	928	-	-	-	(928)	(e)	-	-	-	-	-	-	-	
Equipment financing obligations	591	3,823	-	-	-	-	-	-	-	-	-	-	4,414	
Derivative liabilities	873	-	-	-	-	-	-	-	-	-	-	-	873	
<b>Total liabilities</b>	<b>123,314</b>	<b>577,310</b>	<b>596,003</b>		<b>(542,774)</b>		<b>(2,993)</b>	<b>(10,490)</b>					<b>740,370</b>	
<b>Total stockholders' equity</b>	<b>(1,256)</b>	<b>(229,212)</b>	<b>-</b>	(a)	<b>(5,609)</b>	(e,f)	<b>204</b>	<b>(28,421)</b>	<b>19,158</b>	<b>(h)</b>	<b>63,310</b>	<b>(7,151)</b>	<b>(g)</b>	<b>(188,977)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 122,058</b>	<b>\$ 348,098</b>	<b>\$ 596,003</b>		<b>\$ (548,383)</b>		<b>\$ (2,789)</b>	<b>\$ (38,912)</b>	<b>\$ 19,158</b>	<b>\$ 63,310</b>		<b>\$ (7,151)</b>	<b>\$ 551,392</b>	

(a) Record estimated net proceeds from anticipated financing:

Net proceeds comprised of the following:

Term Loan	\$ 650,000
Facility fee	(53,998)
	-
<b>\$ 596,003</b>	

The proposed term note will include \$555M First Lien an \$85M Second Lien and a \$10M subordinated Seller Note. It will also include a \$40M revolver (undrawn at close). The term loan will bear a blended interest at LIBOR rate plus margin for a total of 9.7% per annum payable according to the terms of the payment schedule.

(b) To adjust for the fair value of Fusion shares issued in the transaction, as adjusted for the Fusion stockholders' deficit at the date of the transaction, as follows:

Fair value of Fusion shares acquired (post-split) - 16,602,175 shares (including shares issuable upon conversion of preferred stock and in-the-money warrants)	
Shares O/S at 12/31/17	14,980,755
In-the-money stock warrants at 12/31/17	257,433
Share Issuable upon conversion of PS at 12/31/17	1,363,986
<b>Total</b>	<b>16,602,175</b>
Stock price at 12/31/17	\$ 3.75
	\$ 62,258

Shares outstanding represent a number of shares issued and outstanding at 12/31/17. In-the-money warrants represents warrants with an exercise price of \$3.75 or less at 12/31/17. Shares issuable upon conversion of preferred stock as of 12/31/17 were based upon a conversion calculation as listed in the preferred stock agreements.

(c) To assign fair values to Fusion assets acquired and record goodwill

Fair value of consideration effectively transferred	\$ 62,258
Assets (less goodwill) acquired	124,478
Liabilities assumed	(120,321)
Net assets acquired	4,157
Goodwill	\$ 58,101

Fair value of consideration was calculated by multiplying stock price of \$3.75 per share by a total of 16,602,175 shares (post-split) at 12/31/17. The number of shares included shares outstanding, in-the money stock warrants and shares issuable upon conversion of preferred stock as of 12/31/17. Assets acquired excluded carrier services assets and included a step up in value based upon a third party valuation. Liability acquired excluded carrier services liabilities.

(d) Reflects adjustments to recognize the estimated fair value of Fusion assets as follows:

Customer relationships	\$3,400
Trademark	34,000
Developed technology	4,710
Property and equipment	16,868

The company engaged a third party to complete the analysis of purchase consideration and fair value of assets acquired. The analysis has been completed in accordance with ASC 805, business combinations, to arrive at estimated fair value of Fusion assets.

(e) Retire existing Fusion and Birch debt, including write-off of unamortized debt discount of \$19.3M. Fusion debt consists of \$62M of term loan, \$34M of subordinated note and \$1.5M of a revolver. It also includes approximately \$1M of related party debt. Fusions portion of debt discount

is \$2.7M. Birch debt consists of \$423M of term loan and \$45M revolver. The Birch debt discount is \$16.7M. The remaining \$3.3M of related party notes will be paid over three quarters.

(f) Denotes payment of stock repurchase obligation by Birch shareholders in the amount of \$13.7 million. In 2016, Birch entered into an installment purchase agreement to repurchase 148 shares of common stock from a former employee for \$13.7M. Installments were scheduled as follows: \$1M on 12/31/16, \$1.5M on 5/1/17, \$1M on 12/31/17, \$3M on 5/1/18, and \$7.2M on 5/1/19. No payment had been made due to covenant restrictions. Unpaid balance will accrete interest at 4% per year.

(g) To record impairment of a Fusion back-office platform which will no longer be in use post acquisition.

(h) Represents additional equity that consist of (1) \$5M of common stock and (2) \$15M of preferred series D stock net of fees which amounted to \$542K

(i) Reflects accelerated Amortization of trade names, Birch Communications \$1.2M and Cbeyond \$4.6M, for BCHI that will be phased out over the balance of the year.

Fusion Telecommunications International, Inc.  
**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**For the Year Ended December 31, 2017**  
*(in thousands, except share and per share data)*

	Pro Forma Adjustments							Pro Forma Combined	
	Fusion	Birch	Refinancing of Existing Indebtedness	Carrier Services Spin-Off	Consumer Spin-Off	Merger Adjustments	Asset Impairment		
<b>Revenues</b>	\$ 150,531	\$ 550,324	\$ -	\$ -	\$ (33,189)	\$ (100,357)	\$ -	\$ -	\$ 567,309
Cost of revenues (exclusive of depreciation and amortization sh	83,033	307,959	-	-	(31,982)	(62,372)	-	-	296,638
<b>Gross Profit</b>	67,497	242,365	-	-	(1,207)	(37,985)	-	-	270,671
Depreciation and amortization	14,521	83,793	-	-	(341)	(13,582)	5,942 (e)	5,371 (g)	95,704
Impairment charges	641	52,783	-	-	-	(1,328)	-	1,780 (g)	53,876
Restructuring charges	-	-	-	-	-	-	-	-	-
Selling, general and administration expenses, including stock-ba	57,724	139,595	-	-	(2,315)	(29,857)	14,725 (f)	-	179,872
Total operating expenses	72,886	276,171	-	-	(2,656)	(44,767)	20,667	7,151	329,452
<b>Operating loss</b>	(5,389)	(33,806)	-	-	1,449	6,782	(20,667)	(7,151)	(58,781)
<b>Other (expenses) income:</b>									
Interest expense	(8,649)	(50,920)	(14,344) (b)	-	-	-	-	-	(73,913)
Gain on change in fair value of derivative liability	(909)	-	-	-	-	-	-	-	(909)
Loss on extinguishment of debt	-	-	(21,771) (a)	-	-	-	-	-	(21,771)
Loss on extinguishment of property and equipment	(312)	-	-	-	-	-	-	-	(312)
Gain on change in fair value of contingent liability	1,012	-	-	-	-	-	-	-	1,012
Other income, net of other expenses	209	1,658	-	-	-	(9)	-	-	1,858
Total other (expenses) income	(8,649)	(49,262)	(36,115)	-	-	(6)	-	-	(94,035)
<b>(Loss) income before income taxes</b>	(14,038)	(83,068)	(36,115)	-	1,449	6,776	(20,667)	(7,151)	(152,817)
Benefit (provision) for income taxes	(62)	(2,543)	-	-	-	96	-	-	(2,509)
<b>Net (loss) income</b>	(14,100)	(85,611)	(36,115)	-	1,449	6,872	(20,667)	(7,151)	(155,326)
Less: Net income attributable to noncontrolling interest	86	-	-	-	(86)	-	-	-	-
<b>Net loss attributable to Fusion Telecommunications Internatio</b>	(14,014)	(85,611)	(36,115)	-	1,363	6,872	(20,667)	(7,151)	(155,326)
Preferred stock dividends in arrears	(1,838)	-	-	-	-	-	1,838 (c)	-	-
<b>Net (loss) income attributable to common stockholders</b>	\$ (15,852)	\$ (85,611)	\$ (36,115)	\$ -	\$ 1,363	\$ 6,872	\$ (18,829)	\$ (7,151)	\$ (155,326)
Basic and diluted loss per common share	\$ (0.72)	-	-	-	-	-	-	-	\$ (2.33)
<b>Weighted average common shares outstanding:</b>									
Basic and diluted	21,969,601	-	-	-	-	-	45,391,480 (d)	-	67,361,081

(a) Denotes redemption premium and write off of unamortized debt discount for indebtedness being refinanced

(b) Increase in interest rate based on refinancing, including discount amortization resulting from facility fee and deferred loan costs of \$54 million related to the refinancing

(c) Remove preferred dividends as all preferred stock is converted prior to merger

(d) Shares (post-split) issued to Birch in merger transaction include 14,980,755 of Fusion shares issued and outstanding, 257,433 of Fusion in-the-money warrants, 1,363,986 of Fusion shares issuable upon conversion of preferred stock and 49,806,524 of new shares to be issued as part of the transaction, and additional shares of 952,382 related to the additional equity.

(e) To record amortization expense for additional \$36 million of intangibles acquired based on a 7 year useful life and the increased book basis of property and equipment of \$4.0 million based on a 5 year expected life.

(f) To record merger-related transaction fees of \$14.7M consisting of bonus awards, and other deal related expenses.

To record impairment of a Fusion back-office platform which will no longer be in use post acquisition. Reflects accelerated Amortization of trade names, Birch Communications \$1.2M and Cbeyond \$4.6M, for BCHI (g) that will be phased out over the balance of the year.