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PUBLIC SERVICE  
COMMISSION

November 13, 2017

Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

**Re: Request of approval for a *pro forma* reorganization**

Dear Sir or Madam:

Flowroute Inc. ("Flowroute") and Flowroute CLEC Inc. ("Flowroute CLEC") (collectively, the "Petitioners," or the "Company"), hereby request Commission approval for a *pro forma* reorganization, whereby Flowroute's Certificate of Public Convenience and Necessity to provide utility service in the State of Kentucky will be assigned to its wholly-owned subsidiary, Flowroute CLEC ("Proposed Transaction").

**I. DESCRIPTION OF PROPOSED TRANSACTION**

Petitioners propose to undertake a *pro forma* reorganization whereby Flowroute's Certificate of Public Convenience and Necessity will be transferred to its wholly-owned subsidiary, Flowroute CLEC. The Proposed Transaction is entirely intra-corporate in nature and will not involve any change in: (a) the ultimate ownership or the corporate structure of the Company; (b) the current management or key personnel of the Company; and (c) the rates, terms or conditions of service current being offered to customers. The proposed *pro forma* reorganization will not have an adverse effect on Kentucky consumers as Flowroute currently does not provide competitive local exchange services to any customers in Kentucky pursuant to its Certificate of Public Convenience and Necessity. Charts depicting the Petitioners' unchanged corporate structure before and after the Proposed Transaction are attached hereto as Exhibit A.

**II. DESCRIPTION OF THE PARTIES**

**Flowroute Inc.** - Flowroute is a Nevada corporation, and maintains its principal offices at 1218 Third Avenue, Suite 600, Seattle, Washington 98101. Flowroute is the parent corporation of Flowroute CLEC. Flowroute is currently authorized to provide competitive local exchange services in the District of Columbia, Kentucky, Missouri, Montana, Nevada, and New Hampshire.

**Flowroute CLEC Inc.** - Flowroute CLEC is a Nevada corporation, and maintains its principal offices at 1218 Third Avenue, Suite 600, Seattle, Washington 98101. Flowroute CLEC is a wholly-owned subsidiary of Flowroute. Flowroute CLEC has a pending registration to provide telecommunications services in the State of Washington, and, pursuant to this *pro forma* reorganization, has or soon will have pending applications to assume Flowroute's authority to provide competitive local exchanges services in the District of Columbia, Kentucky, Missouri, Nevada, and New Hampshire. A copy of Flowroute CLEC's Articles of Incorporation and registration to do business as a foreign corporation in Kentucky are attached hereto as Exhibit B. Both Flowroute and Flowroute CLEC are controlled by the same management team, and accordingly, Flowroute CLEC has the necessary managerial and technical expertise to provide telecommunications services in

Kentucky. Flowroute CLEC's operations in Kentucky will be entirely financed by its parent corporation, Flowroute. Accordingly, Flowroute's most recent financial statements are attached hereto as **Exhibit C**.

### III. DESIGNATED CONTACTS

Questions, correspondence, or other communications concerning this Petition should be directed to the following:

Jennifer Frigaard  
Flowroute CLEC Inc.  
1218 Third Avenue, Suite 600  
Seattle, WA 98101  
Tel: (206) 641-8090  
Email: regulatory@flowroute.com

Following the closing of the Proposed Transaction, inquiries and complaints concerning Flowroute CLEC may be directed to:

Jennifer Frigaard  
Flowroute CLEC Inc.  
1218 Third Avenue, Suite 600  
Seattle, WA 98101  
Tel: (206) 641-8090  
Email: regulatory@flowroute.com

Customers may also contact Flowroute CLEC regarding the establishment of service, complaints, and queries about service, billing, and all other customer service matters by dialing the following toll-free telephone number: (855) 356-9768.

### IV. PUBLIC INTEREST CONSIDERATIONS

Petitioners submit that the Proposed Transaction serves the public interest. The Proposed Transaction promotes competition among telecommunications carriers by providing the Company with the opportunity to strengthen its competitive position in order to accelerate the growth of its business, resulting in greater downward pressure on prices, increased consumer choice, improved quality of service and customer responsiveness, innovative services offerings, and access to increasingly advance telecommunications technologies. Petitioners anticipate that the Proposed Transaction will enable the Company to operate more efficiently and to deliver superior value and services to customers in Kentucky.

Following the Proposed Transaction, Flowroute's current management team will continue to be responsible for the day-to-day operations of the business. The Proposed Transaction is transparent to consumers, and will not result in the discontinuance, reduction, loss, or impairment of service offerings to Kentucky consumers. Rather, the Proposed Transaction will enable Flowroute to make available a greater variety of high-quality, innovative services to customers. The public interest will also be served by expeditious consideration and approval of this Company, and will ensure the public realizes these benefits as quickly as possible.



For foregoing reasons, Petitioners submit that the public interest, convenience, and necessity would be furthered by grant of this Petition for Commission approval to undertake the *pro forma* reorganization as described herein. Petitioners respectfully request expedited consideration and grant of the Petition.

Respectfully submitted,

A handwritten signature in black ink that reads 'Danielle Porter'.

Danielle Porter  
Chief Financial Officer

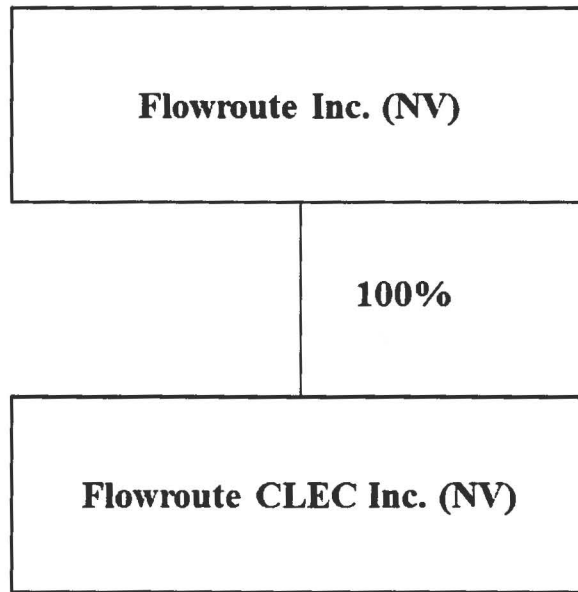


**LIST OF EXHIBITS**

<b><u>Exhibit A</u></b>	<b>Corporate Structure</b>
<b><u>Exhibit B</u></b>	<b>Corporate Documents</b>
<b><u>Exhibit C</u></b>	<b>Financial Statements (CONFIDENTIAL)</b>

**EXHIBIT A**

**Corporate Structure**





**BARBARA K. CEGAVSKE**  
 Secretary of State  
 202 North Carson Street  
 Carson City, Nevada 89701-4201  
 (775) 684-5708  
 Website: www.nvsos.gov



\*040105\*

**Articles of Incorporation**  
 (PURSUANT TO NRS CHAPTER 78)

Filed in the office of <i>Barbara K. Cegavske</i> Barbara K. Cegavske Secretary of State State of Nevada	Document Number <b>20170403314-05</b>
	Filing Date and Time <b>09/24/2017 9:27 AM</b>
	Entity Number <b>E0453852017-1</b>

(This document was filed electronically.)

ABOVE SPACE IS FOR OFFICE USE ONLY

USE BLACK INK ONLY - DO NOT HIGHLIGHT

<b>1. Name of Corporation:</b>	FLOWROUTE CLEC INC.		
<b>2. Registered Agent for Service of Process:</b> (check only one box)	<input checked="" type="checkbox"/> Commercial Registered Agent: <b>MAIL LINK LLC</b> Name <input type="checkbox"/> Noncommercial Registered Agent (name and address below) <b>OR</b> <input type="checkbox"/> Office or Position with Entity (name and address below) Name of Noncommercial Registered Agent OR Name of Title of Office or Other Position with Entity Nevada Street Address City Zip Code Nevada Mailing Address (if different from street address) City Zip Code		
<b>3. Authorized Stock:</b> (number of shares corporation is authorized to issue)	Number of shares with par value: <b>100</b>	Par value per share: \$ <b>0.001</b>	Number of shares without par value: <b>0</b>
<b>4. Names and Addresses of the Board of Directors/Trustees:</b> (each Director/Trustee must be a natural person at least 18 years of age; attach additional page if more than two directors/trustees)	1) <b>BAYAN TOWFIQ</b> Name <b>7135 S DECATUR BLVD.</b> <b>LAS VEGAS</b> <b>NV</b> <b>89118</b> Street Address City State Zip Code 2) <b>SEAN HSIEH</b> Name <b>7135 S DECATUR BLVD.</b> <b>LAS VEGAS</b> <b>NV</b> <b>89118</b> Street Address City State Zip Code		
<b>5. Purpose:</b> (optional; required only if Benefit Corporation status selected)	The purpose of the corporation shall be: <b>ANY LEGAL PURPOSE</b>		<b>6. Benefit Corporation:</b> (see instructions) <input type="checkbox"/> Yes
<b>7. Name, Address and Signature of Incorporator:</b> (attach additional page if more than one incorporator)	I declare, to the best of my knowledge under penalty of perjury, that the information contained herein is correct and acknowledge that pursuant to NRS 239.330, it is a category C felony to knowingly offer any false or forged instrument for filing in the Office of the Secretary of State. <b>BAYAN TOWFIQ</b> <b>X</b> <b>BAYAN TOWFIQ</b> Name Incorporator Signature <b>7135 S DECATUR BLVD.</b> <b>LAS VEGAS</b> <b>NV</b> <b>89118</b> Address City State Zip Code		
<b>8. Certificate of Acceptance of Appointment of Registered Agent:</b>	I hereby accept appointment as Registered Agent for the above named Entity. <input checked="" type="checkbox"/> <b>MAIL LINK LLC</b> <b>9/24/2017</b> Authorized Signature of Registered Agent or On Behalf of Registered Agent Entity Date		

This form must be accompanied by appropriate fees.

Nevada Secretary of State NRS 78 Articles  
 Revised: 1-5-15



# Articles of Incorporation

CONTINUED

*Includes data that is too long to fit in the fields on the NRS 78 Form and all additional director/trustees and incorporators*

ENTITY NAME:	FLOWROUTE CLEC INC.
FOREIGN NAME TRANSLATION:	NOT APPLICABLE
PURPOSE:	ANY LEGAL PURPOSE

REGISTERED AGENT NAME:	MAIL LINK LLC
STREET ADDRESS:	NOT APPLICABLE
MAILING ADDRESS:	NOT APPLICABLE

<b>ADDITIONAL DIRECTORS/TRUSTEES</b>
ERIC HARBER 7135 S DECATUR BLVD. LAS VEGAS, NV 89118

<b>ADDITIONAL INCORPORATORS</b>
SEAN HSIEH 7135 S DECATUR BLVD. LAS VEGAS, NV 89118
ERIC HARBER 7135 S DECATUR BLVD. LAS VEGAS, NV 89118



Alison Lundergan Grimes  
 Secretary Of State  
 Filings Division  
 P.O. Box 718  
 Frankfort, KY 40602-0718

**1000118**  
**IMPORTANT NOTICE**

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**US POSTAGE \$000.46**



ZIP 40601  
 031M1225079J

**NOTICE**

**Keep this copy for your records**

The image on the reverse side of this card serves as your confirmation and copy that the business filing submitted was successfully filed with the Office of the Secretary of State in accordance to Kentucky Revised Statutes.

**How to obtain a full page copy of your business filing**

To download full page copies of the document to take to the County Clerk's Office, please visit our web site at [www.sos.ky.gov](http://www.sos.ky.gov). If you would like to request copies of the document from our office, please download the Records Request Form at [www.sos.ky.gov](http://www.sos.ky.gov) and submit to our Records department.

If you have additional questions concerning your filing, please contact our office at 502-564-3490.

**FLOWROUTE CLEC INC.**  
**1218 THIRD AVE**  
**SUITE 600**  
**SEATTLE, WA 98101**

98101\$3247 C053







COMMONWEALTH OF KENTUCKY  
ALISON LUNDERGAN GRIMES, SECRETARY OF STATE

1000118.01 Dcornish  
ADD  
Alison Lundergan Grimes  
Kentucky Secretary of State  
Received and Filed:  
10/20/2017 10:46 AM  
Fee Receipt: \$36.00

Division of Business Filings  
Business Filings  
PO Box 718, Frankfort, KY 40602  
(502) 564-3490  
www.sos.ky.gov

Registration or Renewal of Entity Name  
(Foreign Business Entity) REG

Pursuant to the provisions of KRS 14A and KRS Chapter 271B, 273, 274, 275, 362 or 388, the undersigned applies for registration or renewal and, for that purpose, submits the following statements:

1. The entity is a:
- profit corporation (KRS 271B)
  - nonprofit corporation (KRS 273)
  - professional service corporation (KRS 274)
  - business trust (KRS 388)
  - limited liability company (KRS 275)
  - limited partnership (KRS 382)
  - professional limited liability company (KRS 275)
  - Statutory trust
  - limited cooperative association
  - non-profit limited liability company
  - cooperative association
  - limited liability partnership (LLP)

2. The activity request is:

- Registration
- Renewal

3. The name of the entity is FLOWROUTE CLEC INC.

4. The state or country of organization is NEVADA

5. The date of organization is 9/24/2017

6. The mailing address of the entity is

1218 THIRD AVE, SUITE 600 SEATTLE WA 98101  
Street Address or Post Office Box Numbers City State Zip Code

7. The nature of the business of the entity is TELECOMMUNICATIONS  
(Please print brief description)

8. This application will be effective upon filing, unless a delayed effective date and/or time is provided. The effective date or the delayed effective date cannot be prior to the date the application is filed. The date and/or time is \_\_\_\_\_  
(Delayed effective date /or time)

We/ I declare under penalty of perjury under the laws of Kentucky that the foregoing is true and correct.

Danielle Porter DANIELLE PORTER TREASURER 10/16/2017  
Signature of Authorized Agent Printed Name Title Date

To download full page copies of the document, please visit our web site at [www.sos.ky.gov](http://www.sos.ky.gov). If you would like to request copies of the document from our office, please download the Records Request Form at [www.sos.ky.gov](http://www.sos.ky.gov) and submit to our Records department.



Balance Sheet

September 30, 2017

Cash and cash equivalents	\$ 1,472,083
Accounts receivable	736
Prepaid expenses	50,073
Total current assets	<u>1,522,892</u>
Furniture and equipment	843,602
Leasehold improvements	233,572
Accumulated depreciation	(416,448)
Total fixed assets	<u>660,726</u>
Other assets	<u>312,743</u>
<b>Total assets</b>	<b>\$ 2,496,361</b>
Accounts payable	\$ 664,651
Accrued 401(K) liability	159,533
Unused customer credits	977,271
Accrued federal tax liability	36,571
Accrued payroll liabilities	116,789
Total current liabilities	<u>1,954,815</u>
Deferred furniture lease liability	88,045
Deferred office lease liability	309,578
Deferred income tax liability	47,000
Total liabilities	<u>2,399,438</u>
Capital stock	107,485
Retained earnings	<u>(10,562)</u>
<b>Total liabilities and equity</b>	<b>\$ 2,496,361</b>



Income Statement

YTD through September 30, 2017

Inbound voice	4,207,086
Outbound voice	4,009,082
MRC	1,708,426
Other customer revenue	760,355
Carrier comp and chargebacks, net	52,146
<b>Total Revenue</b>	<b>\$10,737,096</b>

Carrier costs and regulatory fees	3,397,762
Customer support costs	909,140
Total COGS	4,306,903
<b>Gross Profit</b>	<b>\$6,430,193</b>

Staffing costs	
Wages	4,147,498
Benefits (incl payroll taxes)	805,672
Total staffing costs	4,953,169
Less: Customer support	(800,354)
Operating staffing costs	<b>4,152,816</b>

Sales & marketing	733,923
Professional services	986,303
Payment processing fees	254,582
Internet expenses	372,566
Software expense	189,901
Travel expense	162,240
Occupancy costs	331,013
All other op ex	141,866
Total operating costs	7,325,209

**EBITDA** **(\$895,015)**

Depreciation expense	62,000
Interest expense	2,306
Tax expense	-
Other gain/(loss)	404,786

**Net Income (Loss)** **(\$554,536)**