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**THIS WEEK'S CLOSE UP**

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# Xspedius takes plunge with purchase of e.spire

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By [Taylor Lincoln](#)

Xspedius Management Corp.'s acquisition last week of Herndon, Va.-based e.spire Communications Inc. fit snugly in the category of little fish swallowing big fish.

The question is whether the winner will still be able to swim.

E.spire, a bankrupt company that ranks among the nation's top 10 competitive local exchange carriers, is currently generating revenue of \$164 million a year. The combined assets of Xspedius Holdings Corp., of which Xspedius Management Corp. is an affiliate, brought in \$30 million last year.

Xspedius, a Lake Charles, La., firm that won e.spire in a bankruptcy auction, paid for its new asset with \$18 million in cash and a \$50 million loan secured on the strength of e.spire's fiber.

On the surface, \$68 million sounds like a bargain to acquire a company that has received \$1.6 billion in investments. And the new owners will not have to contend with the \$900 million in debt that eventually sank the Herndon company.

Still, Xspedius Chief Executive Officer Mark Senda estimated that e.spire is currently burning through about \$4 million to \$5 million a month, and he made no bold promises when asked how close profitability was.

"Not nearly as close as the original investors have hoped," Senda said. "We plan to make it much more efficient than it was."

Xspedius is no stranger to the CLEC market, as it was one long before 1996, when Congress coined the term. Cameron Telephone Co., a predecessor of Xspedius, in 1928 began serving regions of southwestern Louisiana that were ignored by the incumbent.

Xspedius will take the keys to its new asset when the deal closes in 30 to 90 days, Senda said.

He added that there has been little attrition of e.spire's 5,000 customers and that he didn't expect "substantial changes" in


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staffing when Xspedius takes over.

### Bankruptcy boon

Last week was a good one for bankruptcy lawyers.

Three Potomac area firms with roots in the beleaguered telecommunications sector sought bankruptcy protection: Wireless broadband firm StarBand, of McLean, Va., fiber infrastructure builder Velocita, of Falls Church, Va., and paging service company Metrocall, of Alexandria, Va.

StarBand's announcement came about a week after it filed suit against investor EchoStar, of Littleton, Colo., with which it is embroiled in a messy billing dispute. The firm contended in that suit that EchoStar has continued billing its customers but not forwarded agreed upon receipts to Starband.

A StarBand spokeswoman said her firm dropped the EchoStar suit when it filed for bankruptcy to avoid fighting two expensive legal battles at once, but she did not rule out folding the EchoStar billing dispute into the bankruptcy case.

Velocita has issued a stream of notices in recent months announcing extensions and possible defaults on its loans. The firm's chief executive officer, Buddy Pickle, said last week that the bankruptcy filing was part of a long-term plan developed last summer to migrate from building its own fiber in favor of its original M.O., contract work.

Metrocall seems to offer the least cutting edge service of the three (has anybody you know bought a pager lately?) but its bankruptcy might be the smoothest. The firm's plan was pre-negotiated with creditors, to whom it owes \$759 million in long-term debt.

### Defense boomlet

It's a broken record, but one that bears repeating.

Another area company scored a successful initial public offering last week. Veridian Inc., of Arlington, Va., raised \$216 million in its IPO, during which it sold one million shares more than expected.

The stock promptly jumped about 20 percent above its \$16 sale price.

"The demands [for defense services] continue to increase," said Larry Davis, president of Aronson Capital Partners, of Rockville, Md. "Most of these companies that have gone public have pretty large security practices."

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