

EXHIBIT 1

CORPORATE ORGANIZATION CHART

FairPoint Communications, Inc.

FairPoint Business Services, LLC

ST Enterprises, Ltd.

FairPoint Vermont, Inc. dba FairPoint Communications

Sunflower Telephone Company, Inc. dba FairPoint Communications

Northland Telephone Company of Maine, Inc. dba FairPoint Communications

ST Long Distance, Inc. dba FairPoint Communications

MJD Ventures, Inc.

Marianna and Scenery Hill Telephone Company dba FairPoint Communications

Marianna Tel., Inc. dba FairPoint Communications

Bentleyville Communications Corporation dba FairPoint Communications

BE Mobile Communications, Inc. dba FairPoint Communications

The Columbus Grove Telephone Company dba FairPoint Communications

Quality One Technologies, Inc. dba FairPoint Communications

C-R Communications, Inc.

C-R Telephone Company dba FairPoint Communications

C-R Long Distance, Inc. dba FairPoint Communications

Taconic Telephone Corp. dba FairPoint Communications

Taconic Technology Corp.

Taconic Telcom Corp. dba FairPoint Communications

Ellensburg Telephone Company dba FairPoint Communications

Elltel Long Distance Corp. dba FairPoint Communications

Sidney Telephone Company dba FairPoint Communications

Utilities, Inc.

Standish Telephone Co. dba FairPoint Communications

China Telephone Co. dba FairPoint Communications

Maine Telephone Co. dba FairPoint Communications

UI Long Distance, Inc. dba FairPoint Communications

Chouteau Telephone Company dba FairPoint Communications

Chautauqua and Erie Telephone Corporation dba FairPoint Communications

Chautauqua & Erie Communications, Inc. dba FairPoint Communications

C&E Communications, Ltd.

The Orwell Telephone Company dba FairPoint Communications

Orwell Communications, Inc. dba FairPoint Communications

The Germantown Independent Telephone Co dba FairPoint Communications  
Germantown Long Distance Company dba FairPoint Communications  
GTC Communications, Inc.  
St Joe Communications, Inc. dba FairPoint Communications  
GTC, Inc. dba FairPoint Communications  
Peoples Mutual Telephone Company dba FairPoint Communications  
Peoples Mutual Long Distance Company dba FairPoint Communications  
Comerco, Inc. dba FairPoint Communications  
YCOM Networks, Inc. dba FairPoint Communications  
Berkshire Telephone Corp dba FairPoint Communications  
Berkshire Cable Corp dba FairPoint Communications  
Berkshire Cellular, Inc.  
Berkshire New York Access, Inc.  
Community Service Telephone Co. dba FairPoint Communications  
CommTel Communications, Inc.  
MJD Services Corp.  
Bluestem Telephone Company dba FairPoint Communications  
Big Sandy Telecom, Inc. dba FairPoint Communications  
FairPoint Communications Missouri, Inc. dba FairPoint Communications  
Odin Telephone Exchange, Inc. dba FairPoint Communications  
Columbine Telecom Company dba FairPoint Communications  
Ravenswood Communications, Inc.  
The El Paso Telephone Company dba FairPoint Communications  
El Paso Long Distance Company dba FairPoint Communications  
United Communications Systems, Inc.  
ExOp of Missouri, Inc. dba FairPoint Communications  
FairPoint Carrier Services, Inc.  
FairPoint Broadband, Inc. dba FairPoint Communications  
FairPoint Logistics, Inc.  
Northern New England Telephone Operations LLC dba FairPoint Communications  
Telephone Operating Company of Vermont LLC dba FairPoint Communications  
Enhanced Communications of Northern New England, Inc.

## EXHIBIT 2

### AFFILIATED TRANSACTIONS

#### Management Fees with the Parent Company:

- Corporate services provided by the parent company on behalf of all affiliate entities, i.e. Executive management, marketing, call center, insurance, cash management, AP disbursement, etc. These services are booked to the appropriate Part 32 accounts. The company has developed an allocation manual that follows Part 64 and is called the MSAM (Management Services Agreement Manual).

#### Transactions between the ILEC and Long Distance Company:

- ILEC charges the Long Distance company billing and collection fees which are included as Miscellaneous Revenues on the ILEC books.

### EXHIBIT 3

#### DEMONSTRATION OF RISK OF RATE INSTABILITY OR SERVICE INTERRUPTION OR CESSATION

The operating environment in which the Company finds itself has created a climate of great financial uncertainty. The Company has been working over the past several years to address growing competition. The Company has taken steps to increase the availability and attributes of advanced services offered by the Company, including broadband. This has resulted in the Company making additional investments of approximately \$4.6 million during the period January 1, 2011 through December 31, 2015.

The overall financial condition of the Company is detailed on other Exhibits to this Petition. What this information demonstrates is that, when adjusted to eliminate the support from the state Universal Communications Services Program that the Company received or accrued in 2015, the Company's total regulated revenue decreased by nineteen percent from 2011 through 2015. The Company has looked for ways to lower expenses. However, much of the Company's operating expenses are fixed obligations.

At the same time, the Company is seeing increased competition. For example, the Company has seen some migration of customers "cutting the cord" to move to wireless or other service as their sole method of telecommunications. Since 2011, the Company has lost 2,058 access lines. A loss of customers equates to a loss of revenue without a corresponding reduction in expenses or corresponding increase in rates. This trend of access line loss is exacerbated by the Federal Communications Commission's requirement that the Company increase its rates to remain eligible for full federal USF support. Since 2012, the Company has increased its local exchange service rates in order to be in compliance with the national urban rate floor prescribed by the Federal Communications Commission. However, those increases have been insufficient to fully replace the revenues that have been lost due to the reduction in access lines. In addition, those rate increases have tended to stimulate a surge in disconnection of service by customers.

As an example of why state Program support is needed, the Company's receipt of revenue from the traditional Washington intrastate universal service access rate element and related pooling fund were terminated effective July 1, 2014. Since then, the loss of revenues derived from the traditional universal service access rate element has been off-set by revenues received by the Company as a result of its participation in the Program. Using 2012 as a base line, the Company is facing a loss of traditional universal service fund revenues of approximately \$80,653 per year if its participation in the Program is not renewed.

As another example, some of the financial uncertainty that the Company faces stems from the USF/ICC Transformation Order issued by the Federal Communications Commission.<sup>1</sup> The

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<sup>1</sup> *In the Matter of Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform - Mobility Fun*, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 07-135,

USF/ICC Transformation Order has built in an automatic decline in the Company's intrastate and interstate access revenues. The intercarrier compensation portion of the Transformation Order introduces a concept of a base line year for calculating terminating access and reciprocal compensation revenues and provides support from the Connect America Fund ("CAF") based on the base line year. However, the base line year revenues (from which the level of CAF support is derived) are reduced iteratively by five percent each year. The CAF support reduction began in July 2012. Projecting through the calendar year 2017, including additional reductions that will occur July 1, 2017, the Company has seen a reduction in support from the base line revenue amount of approximately \$ 894,157 for 2017.

These factors, among others, have led to the strained financial condition of the Company as reflected in the financial reports that are part of the Petition.

The combination of factors noted above creates a situation in which, without support from the state universal communications services program, the Company may be faced with a choice of increasing rates further or reducing service in order to be able to match expenses to revenues. Neither choice presents a viable path for providing continued high quality service to customers. The dilemma presented by these choices reflects the risk of rate instability or service interruption or cessation to which the Company is subject.

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WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (rel. Nov. 18, 2011)(*USF/ICC Transformation Order*).

PETITION OF YCOM NETWORKS INC  
D/B/A FAIRPOINT COMMUNICATIONS TO RECEIVE  
SUPPORT FROM THE STATE UNIVERSAL  
COMMUNICATIONS SERVICES PROGRAM – EXHIBIT 3 - 2