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February 22, 2000

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

TA-2000-515

FILED²
FEB 22 2000
Missouri Public
Service Commission

Re: In the Matter of the Application of FairPoint Communications Corp. for a Certificate of Service Authority to provide Interexchange and Local Exchange Telecommunications Services and to Classify said services and the company as copetitive.

Dear Mr. Roberts:

Enclosed please find the original plus fourteen (14) copies of Application for filing on behalf of FairPoint Communications Corp. in the above referenced matter. Please bring this matter to the attention of the appropriate Commission personnel.

Thank you for your attention to this matter.

Very truly yours,

BRYDON, SWEARENGEN & ENGLAND P.C.

By: *Sondra B. Morgan*
Sondra B. Morgan

SBM/k

Enclosures

cc: Office of Public Counsel
Mr. Frank Miller
Mr. John LaPenta

200000754

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³

FEB 22 2000

Missouri Public
Service Commission

In the Matter of the Application of)
FairPoint Communications Corp.)
for a Certificate of Service Authority)
to Provide Interexchange and Local Exchange)
Telecommunications Services and to Classify)
Said Services and the Company as Competitive)

Case No. TA-2000-515

APPLICATION

FairPoint Communications Corp. ("Applicant"), a Delaware corporation, files this verified Application respectfully requesting that the Missouri Public Service Commission ("Commission") issue an order that:

- (a) grants Applicant a Certificate of Service Authority to provide interexchange and local exchange telecommunications services pursuant to Chapter 392 of the Missouri Revised Statutes;
- (b) grants competitive status to Applicant; and
- (c) waives certain Commission rules and statutory provisions pursuant to Section 392.420, RSMo Supp. 1998.

In support of its request, Applicant states as follows:

1. Applicant is a Delaware corporation with its principal office and place of business at 6324 Fairview Road, 4th Floor, Charlotte, NC 28210. Applicant does not maintain a principal business address in Missouri. By separate application filed simultaneously with the Commission, Applicant is also applying for a Certificate of Service Authority to provide basic local telecommunications services within the State of Missouri in the exchanges for which

Southwestern Bell Telephone Company, Sprint Missouri, Inc. f/k/a United Telephone Company, and GTE Midwest Incorporated act as incumbent local exchange carriers. The following documents are on file with the Commission as exhibits to Applicant's Application for Certificate of Service Authority to Provide Basic Local Telecommunications Service and for Competitive Classification and, as incorporated by reference herein, are exhibits in the instant Application: (i) a copy of Applicant's Articles of Incorporation; and (ii) Applicant's Certificate of Authority to transact business as a foreign corporation within the State of Missouri. Applicant is a wholly-owned subsidiary of MJD Communications, Inc. ("MJD Communications").

2. Correspondence concerning this Application, notices, inquiries and other communication, should be directed to:

Frank J. Miller, Esq.
Huber Lawrence & Abell
605 Third Avenue
New York, NY 10158
Tel (212) 682-6200
Fax (212) 661-5759

W.R. England, III, Esq.
Sondra B. Morgan, Esq.
Brydon, Swearingen & England, P.C.
312 East Capitol Street
P.O. Box 456
Jefferson City, Missouri 65102
Tel (573) 635-7166
Fax (573) 635-0427

and

John La Penta
Director of Regulatory Affairs and Carrier Relations
FairPoint Communications Corp.
6324 Fairview Road, 4th Floor
Charlotte, NC 28210

Tel (704) 414-2524
Fax (704) 414-2505

3. Applicant proposes to provide interexchange telecommunications services and associated operator and directory assistance services to business and residential customers located throughout the State of Missouri. As noted above, by separate application, Applicant is applying to the Commission for a Certificate of Service Authority to provide basic local telecommunications service. Upon receipt of both certificates, Applicant will lease, or subscribe to and resell, various types of exchange and carrier access lines, including unbundled local loops, and intra-city, intraLATA, interLATA, and interstate services and facilities of communications common carriers and other entities. Services and facilities to be resold may include Message Telephone Service, Wide Area Telephone Service ("WATS"), WATS-like services, Foreign Exchange Service, private lines, tie lines, switched and special access service, cellular service, PCS service, local switched service, unbundled local links or ports, switching services, information services, Internet services and other services and facilities of communications common carriers and other entities.

Applicant may construct, lease or operate its own transmission and switching facilities, utilizing fiber optic, copper, carrier, microwave, digital, analog and other technologies, to connect customers to interexchange carrier Points-of-Presence or to other customers on an intra-city, intraLATA or interLATA basis.

Facilities may be used for both switched and private line traffic and will include the provision of local exchange service to business and residential customers. Any facilities

constructed by Applicant may be used separately or in conjunction with similar facilities provided by or obtained from other entities.

4. Applicant has the technical and management qualifications to provide the proposed services within the State of Missouri. The necessary technical and managerial expertise is available to Applicant through MJD Communications' existing management team, as well as Applicant's affiliation with various related communications entities. More specifically, Applicant's technical and managerial qualifications are demonstrated by the professional background of key members of its team as described in Appendix A.

5. Applicant is wholly-owned by MJD Communications, a Delaware corporation. Consolidated financial statements of MJD Communications, attached as Appendix B, demonstrate the financial viability of the company. In addition, MJD Communications has significant investments in telecommunications operations throughout the United States. Consequently, the Applicant has access to substantial financial resources.

6. Applicant requests classification as a competitive telecommunications company within the State of Missouri. Applicant believes that its proposed services will be subject to sufficient competition to justify a lesser degree of regulation. Granting of this application will allow greater price and service options for telephone users.

7. Consistent with the Commission's treatment of other certificated competitive telecommunications companies, Applicant requests that the following statutes and regulations be waived:

Statutes
392.240(1)
392.270

Missouri Public Service Commission Rules
4 CSR 240-10.020
4 CSR 240-30.010(2)(C)

| | |
|---------|------------------------|
| 392.280 | 4 CSR 240-30.040 |
| 392.290 | 4 CSR 240-32.030(1)(B) |
| 392.310 | 4 CSR 240-32.030(1)(C) |
| 392.320 | 4 CSR 240-32.030(2) |
| 392.330 | 4 CSR 240-32.050(3-6) |
| 392.340 | 4 CSR 240-32.070(4) |
| | 4 CSR 240-33.030 |
| | 4 CSR 240-33.040(5) |

8. Applicant proposes to charge for its services based upon rates, rules and regulations as proposed in the tariff attached hereto and incorporated by reference as Exhibit C.

9. The Commission has found that the interexchange market which Applicant seeks to enter is sufficiently competitive so as to justify a lesser degree of regulation. In Re Classification of Service Provided by Interexchange Telecommunications Carrier within the State of Missouri, Case No. TO-88-142, Report and Order (effective October 16, 1989) at pp. 19-

20. Expeditious grant of the instant Application will expand customer service options and increase the competition in the provision of interexchange services, consistent with the Commission's policies, and the legislative goals set forth in Chapter 392 RSMo and the federal Telecommunications Act of 1996. Accordingly, Applicant's proposed operations are in the public interest.

WHEREFORE, Applicant respectfully requests that the Commission grant it a certificate of service authority to provide intrastate interexchange and local exchange telecommunications services to the public in the State of Missouri. If granted local exchange authority, such authority will be limited to the provisioning of dedicated, non-switched local exchange private line services. Applicant also requests classification as a competitive telecommunications company. In addition, Applicant requests a waiver of the above-referenced

rules and statutory provisions.

Respectfully Submitted,



W.R. England, III Mo. Bar #23975

Sondra B. Morgan Mo. Bar #35482

BRYDON, SWEARENGEN & ENGLAND, P.C.

312 East Capitol Avenue

P.O. Box 456

Jefferson City, MO 65102-0456

(573) 635-7166

Attorneys for FAIRPOINT COMMUNICATIONS CORP.

Of Counsel:

Frank J. Miller, Esq.

Huber Lawrence & Abell

605 Third Avenue

New York, NY 10158

(212) 682-6200

VERIFICATION

State of North Carolina

County of Mecklenburg

G. Brady Buckley, being first duly sworn, deposes and says: That he is the President and Chief Executive Officer of FairPoint Communications Corp., the applicant in the above proceeding, that he has read the foregoing Application, and knows the contents thereof; and that he is authorized by FairPoint Communications Corp. to verify that the contents of the Application are true.

G. Brady Buckley

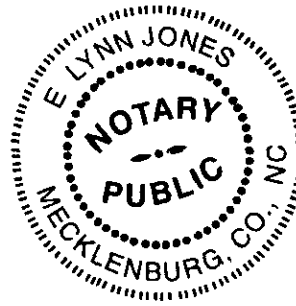
Subscribed and sworn to before me this

16 day of February, 2000

E. Lynn Jones

Notary Public

State of North Carolina



My Commission expires: 2/2/2002

Appendix A

Technical and Managerial Experience

Professional Biographies
FairPoint Communications Corp. Senior Management Team

Brady Buckley, President and CEO, began his career with U.S. Sprint, he also served as Vice President of LDDS Worldcom. Prior to joining FairPoint Communications, Brady served as President of American Telco, Inc., a Houston-based telecommunications firm that was the first company to provide combined local and long distance phone service in Texas. Under Brady's leadership, the company's revenues increased 50 percent and its asset value rose from \$55 million to \$130 million in two and a half years.

Jeff Touse, Vice President of Sales, also brings a lengthy career with American Telco, of Texas at which he began 10 years ago as an account representative. As Jeff's career grew he left Dallas for the Houston office where he continued to be on the move until he ended his career with Telco. Upon his departure Jeff held the Vice President of Sales position for 2 years and maintained responsibility for over 200 people.

Dan Yamin, Vice President of Marketing and Product Development, was Vice President of Customer Operations/Sales and Marketing for Taconic Telephone Corp.. Dan was employed with Taconic since 1989, he previously served as Director of Customer Operations/Sales and Marketing for the company. Prior to Taconic, Dan was an account executive for Rochester Telephone Business Marketing and a telecommunications manager for a Gulf & Western Company.

Thomas Iachetta, Vice President of Information Systems prior position was Vice President of Planning and Business Development for Taconic Telephone Corp. Mr. Iachetta was employed at Taconic since 1985 and previously served as Director of Planning and Business Development. Prior to that, he served as Manager of Network and Information Services. He was responsible for all aspects of corporate planning for Taconic and its subsidiaries while overseeing information systems. He was responsible for Taconic Cellular Corp., Taconet Corp., a sophisticated SS7 network and Taconic TelCom Corp., a long distance service provider.

Stephen Lagasse, Vice President of Customer Service. Before his promotion, Lagasse was the Director of FairPoint's Operation Center, responsible for various aspects of Customer Service initiatives. Steve is now responsible for Customer Service, Provisioning, and Repair. Steve brings 14 years of telecommunications experience to his new position, including Engineering responsibilities with Bell Atlantic, and Operations and Market Development positions with NYNEX.

Patrick L. Eudy, Vice President Business Development, career encompasses operating experience in the communications industry, investment banking, and consulting. Mr. Eudy was Vice President - Business Development for MJD Communications, Inc. While with MJD, Mr. Eudy developed the competitive local exchange business plan which led to the creation of FairPoint Communications. Mr. Eudy managed the start-up and daily operations of FairPoint from November 1997 until July 1998. From 1994 to 1997, Mr. Eudy was employed in various capacities with CruisePhone, Inc. where most recently he was Vice President - Market Development.

Cliff Kane, Vice President of Network Services, was President and Founder of the recently sold Data Active, Incorporated. Previous to his involvement with Data Active he founded Fiber Business Networks, Incorporated of Hawthorne, New York. Under Cliff's leadership the company grew rapidly and focused on voice and data communication networks.

Appendix B

Financial Statements

MJD Communications, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

| Assets | December 31, 1998 | December 31, 1997 |
|--|----------------------|----------------------|
| | (unaudited) | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 13,240,891 | 6,822,462 |
| Accounts receivable and other | 22,394,790 | 10,318,406 |
| Total current assets | 35,635,681 | 17,140,868 |
| Property, plant and equipment, net | 142,320,999 | 61,206,890 |
| Other assets: | | |
| Investments | 37,893,758 | 11,423,521 |
| Goodwill, net of accumulated amortization | 203,866,601 | 50,432,932 |
| Deferred charges and other assets | 21,173,488 | 4,408,568 |
| Total other assets | 262,933,847 | 66,265,021 |
| Total assets | \$ 440,890,527 | 144,612,779 |
| Liabilities and Stockholders' Equity (Deficit) | | |
| Current Liabilities: | | |
| Accounts payable | \$ 10,153,421 | 4,999,714 |
| Current portion of long-term debt, capital lease and other | 4,383,021 | 5,721,039 |
| Demand notes payable | 754,000 | 879,000 |
| Accrued interest payable | 3,946,563 | 2,818,769 |
| Other accrued liabilities | 6,841,253 | 2,614,646 |
| Total current liabilities | 26,078,258 | 17,033,168 |
| Long-term liabilities: | | |
| Long-term debt, net of current portion | 164,610,026 | 126,502,779 |
| Subordinated debt | 200,000,000 | 109,246 |
| Put Warrant Obligation | 4,169,000 | 3,455,500 |
| Deferred credits and other long-term liabilities | 32,712,058 | 7,960,599 |
| Total long-term liabilities | 401,491,084 | 138,028,124 |
| Minority interest | 434,818 | 360,101 |
| Redeemable preferred stock | - | 130,164 |
| Common stock subject to put option | 3,000,000 | |
| Stockholders' equity (deficit): | | |
| Common stock | 18,110 | 8,810 |
| Additional paid-in capital | 45,734,418 | 16,905,977 |
| Retained deficit | (35,866,161) | (27,853,565) |
| Total stockholders' equity (deficit) | 9,886,367 | (10,938,778) |
| Total liabilities and stockholders' equity (deficit) | \$ 440,890,527 | 144,612,779 |

MJD Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations

| | Three months ended December 31, | | Year ended December 31, | |
|--|------------------------------------|-------------|----------------------------|-------------|
| | 1998 | 1997 | 1998 | 1997 |
| | (Unaudited) | (Unaudited) | (Unaudited) | |
| Operating revenues: | | | | |
| Switched services | \$ 22,838,616 | 12,189,529 | 72,124,469 | 39,257,363 |
| Other | 5,892,282 | 4,080,509 | 19,883,088 | 8,505,925 |
| Total operating revenues | 28,730,898 | 16,270,038 | 92,007,557 | 47,763,288 |
| Operating expenses: | | | | |
| Plant operations | 4,525,712 | 1,869,786 | 14,292,560 | 6,856,901 |
| Corporate and customer service | 7,966,697 | 5,384,239 | 22,274,818 | 11,580,804 |
| Depreciation and amortization | 6,676,999 | 2,678,204 | 20,089,395 | 8,777,103 |
| Cost of services sold | 2,002,445 | 2,488,351 | 6,162,893 | 4,790,970 |
| Other | 5,256,810 | 1,100,125 | 12,625,232 | 3,318,258 |
| Total operating expenses | 26,428,663 | 13,520,705 | 75,444,898 | 35,324,036 |
| Income from operations | 2,302,235 | 2,749,333 | 16,562,659 | 12,439,252 |
| Other income (expense): | | | | |
| Net gain on sale of investments | (9,406) | (19,229) | 651,078 | (19,229) |
| Interest income | 168,837 | 56,272 | 441,992 | 212,035 |
| Dividend income | 1,004,293 | 1,182,124 | 1,119,188 | 1,182,124 |
| Interest expense | (9,551,357) | (2,938,710) | (27,170,655) | (9,293,104) |
| Other, net | 583,778 | 139,649 | 885,320 | 139,972 |
| Total other expense | (7,803,855) | (1,579,894) | (24,073,077) | (7,778,202) |
| Earnings (loss) before income taxes and extraordinary item | (5,501,620) | 1,169,439 | (7,510,418) | 4,661,050 |
| Income tax (expense) benefit | 1,414,295 | (223,847) | 2,111,508 | (1,875,634) |
| Earnings (loss) before extraordinary item | (4,087,325) | 945,592 | (5,398,910) | 2,785,416 |
| Extraordinary item net of tax | | | (2,520,943) | (3,611,624) |
| Earnings (loss) before minority interest | (4,087,325) | 945,592 | (7,919,853) | (826,208) |
| Minority interest in income of subsidiaries | (12,481) | (36,532) | (80,453) | (61,635) |
| Net earnings (loss) | \$ (4,099,806) | 909,060 | (8,000,306) | (887,843) |

MJD Communications, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows

| | Year ended December 31, | |
|---|-------------------------|---------------|
| | 1998 | 1997 |
| | (Unaudited) | |
| Cash flows from operating activities: | | |
| Net loss | \$ (8,000,306) | (887,843) |
| Adjustments to reconcile net loss to net cash provided by operating Activities: | | |
| Depreciation and amortization | 21,533,034 | 9,093,037 |
| Other non cash expenses (income) | (2,894,755) | (686,504) |
| Loss on early retirement of debt | 2,896,600 | 1,864,428 |
| Changes in assets and liabilities arising from operations, net of acquisitions: | | |
| Accounts receivable | 6,633,230 | (1,669,115) |
| Accounts payable and accrued expenses | 415,448 | 3,020,470 |
| Minority interest | 80,453 | 61,635 |
| Income taxes recoverable | (5,797,796) | (956,119) |
| Total adjustments | 22,866,214 | 10,727,832 |
| Net cash provided by operating activities | 14,865,908 | 9,839,989 |
| Cash flows from investing activities: | | |
| Net capital additions | (12,324,293) | (8,141,250) |
| Acquisitions of telephone properties | (217,080,932) | (30,845,006) |
| Other, net | 3,883,961 | 19,296 |
| Net cash used in investing activities | (225,521,264) | (38,966,960) |
| Cash flows from financing activities: | | |
| Loan origination costs | (17,345,090) | (1,949,205) |
| Proceeds from issuance of long-term debt | 510,582,591 | 71,134,318 |
| Repayment of long-term debt | (307,763,307) | (22,104,295) |
| Net proceeds from the issuance of common stock | 31,837,742 | 15,875,104 |
| Dividends paid to stockholders | (18,026) | (283,130) |
| Repurchase of stock and warrants | (175,271) | (31,487,339) |
| Other, net | (44,854) | 511,248 |
| Net cash provided by financing activities | 217,073,785 | 31,696,701 |
| Net increase in cash and cash equivalents | 6,418,429 | 2,569,730 |
| Cash and cash equivalents, beginning of period | 6,822,462 | 4,252,732 |
| Cash and cash equivalents, end of period | \$ 13,240,891 | 6,822,462 |