STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service Commission held in the City of Albany on December 11, 2014

COMMISSIONERS PRESENT:

Audrey Zibelman, Chair
Patricia L. Acampora
Garry A. Brown
Gregg C. Sayre
Diane X. Burman

CASE 14-C-0308 – Joint Petition of Petition of Brick Skirt Holdings, Inc. DFT Telephone Holding Company, LLC, et al. for Authority to Transfer and Acquire Shares of Capital Stock and Other Transactions.

ORDER APPROVING TRANSFER OF CONTROL WITH CONDITIONS

(Issued and Effective December 12, 2014)

BY THE COMMISSION:

INTRODUCTION

By joint petition filed July 10, 2014, Brick Skirt Holdings, Inc. (Brick Skirt); DFT Communications Corporation (DFT); DFT Telephone Holding Company, L.L.C. (DFT Holding); DFT Local Service Corp. (DFT Local Service); Brighton Communications Corporation (Brighton); and, its incumbent local exchange carrier (ILEC) subsidiaries Dunkirk and Fredonia Telephone Company (D&F) and Cassadaga Telephone Corporation (Cassadaga) request Commission authority under Public Service Law (PSL) §100 to permit Brick Skirt to acquire all of the outstanding stock of DFT Communications from Brighton, a subsidiary of LICT Corporation (LICT).[1] In order to, in part, finance the proposed

[1] Although the joint petition also references PSL §99, it does not request specific relief under this section. Based on the facts presented it does not appear that approval under PSL §99 is required.

transaction, Brick Skirt also requests authority under PSL §101 to permit DFT Local Service, a competitive local exchange carrier (CLEC), to guarantee certain bank loans of its affiliates. The joint petition was supplemented on November 7, 2014, with new financing terms which removed onerous and potentially harmful impacts on the ILECs' ratepayers. While the modified proposed transaction does result in some potential risks to the ILECs' ratepayers, the Commission believes these risks can be mitigated by imposing specific conditions on the proposed transaction as discussed in more detail below and, therefore, will approve the relief requested.

BACKGROUND

Brighton is a subsidiary of LICT. It acts solely as a holding company, and owns all of the capital stock of DFT Communications. LICT is a Delaware holding company. Its operations include twelve independent telephone companies located in the states of New York, New Hampshire, Iowa, Utah, Wisconsin, Kansas, Michigan, California, and New Mexico, as well as CLECs serving New York, Iowa, New Mexico, Oregon, Michigan, Utah, and Kansas. LICT, through its subsidiaries, is an integrated provider of broadband and voice services. LICT provides high speed broadband access through the provision of copper-based digital subscriber lines (DSL), fiber optic facilities, fixed wireless, and cable modems. It also provides video service through traditional cable television and Internet Protocol services, wireless communications, and several other related services.

Brick Skirt is a Delaware corporation formed solely for the purpose of acquiring DFT and its subsidiaries from Brighton. Brick Skirt is owned by Robert A. Maytum, Mark R. Maytum, Kurt W. Maytum, and Sheri Stoltenberg, members of the family that formerly owned DFT until its sale to LICT, which the Commission approved in 1996.[2]

DFT is a Delaware corporation that acts solely as a holding company. DFT has four direct subsidiaries that will remain after the transfer of DFT's stock from Brighton to Brick Skirt: DFT Holding, DFT Local Service, Netsync Internet Services Corp. (Netsync), and DFT Security Services, Inc. DFT Holding is a Limited Liability Company whose sole function is to hold the stock of D&F. DFT Local Service provides local, private line, and long distance telephone services as a CLEC in Chautauqua County and other areas of western New York State. DFT Local Service currently provides service to approximately 4,400 lines in New York State. Netsync provides Internet and broadband services. DFT Security Services provides electronic security monitoring services.

The D&F ILEC is an operating subsidiary of DFT Holding that provides telephone service to approximately 7,400 access lines in Chautauqua County, in southwestern New York State. It operates one wire center. D&F is considered a Category 1 company under the Framework for Regulatory Relief (Framework) established by the Commission in Case 07-C-0349,[3] and is facing significant competition. D&F reported a loss of 38.51% on equity for the year ending December 31, 2013. Currently Time Warner Cable passes approximately 91% of the customers in D&F's territory and D&F reports that there is generally 100% wireless

[2] Case 95-C-1112, Joint Petition of Lynch Corporation and Dunkirk & Fredonia Telephone Co. for Authority and Approval Under Sections 100 and 101 of the Public Service Law for the Acquisition, Through an Affiliate, of all the Outstanding Shares of Common Stock of Dunkirk & Fredonia Telephone Co., Order Authorizing Acquisition Subject to Conditions (issued July 28, 1996).

[3] Case 07-C-0349, In the Matter of Examining a Framework For Regulatory Relief, Order Adopting Framework (issued March 4, 2008), p.12.

coverage in the area. D&F has lost approximately 16% of its access lines since 2008. D&F operates a soft switch that also serves Cassadaga and has consolidated platforms, thereby reducing support and utility costs. D&F meets the recent Federal Communications Commission's (FCC) Connect America Fund Order recommendations by providing nearly all of their customers with 4Mbps/1Mbps broadband service.

D&F has two operating subsidiaries, Comantel, Inc. and the Cassadaga ILEC. Comantel is an interconnect telephone equipment provider. Cassadaga provides services to 881 access lines in Chautauqua County. All of its stock was acquired by D&F in May, 1983. Cassadaga is considered a Category 2 company under the Commission's Framework Order and is facing significant competition. For the year ending December 31, 2013, Cassadaga earned 5.15% on equity. Time Warner Cable passes approximately 50% of the customers in Cassadaga's territory and there is nearly 100% wireless coverage in the area. It has lost approximately 23% of its access lines since 2008. Like D&F, Cassadaga plans to meet or exceed the recent FCC Connect America Fund Order recommendation as it currently provides broadband service with 4Mbps/1Mbps speed to 95% of its customers. Cassadaga has one operating subsidiary, Macom, Inc. which provides electrical contract services.

Exhibit A shows the existing corporate structure for DFT, its parents, and its subsidiaries. Exhibit B shows the corporate structure contemplated by the consummation of this transaction.

PETITION

Under the proposed transaction, as amended on November 7, 2014, Brighton, a subsidiary of LICT and a holding company, will sell all of its shares of DFT stock to Brick Skirt. As shown in Exhibits A and B, the transaction simply moves DFT from being a subsidiary of Brighton under LICT to being a subsidiary of Brick Skirt. Brick Skirt at that time will be the sole owner of DFT. However, as part of the transaction Brighton will receive warrants that when exercised for $1 will leave them with a 20% interest in DFT. The purchase price of the transaction is $20,254,118. Consideration for the purchase includes:

Cash	$7,426,000
Purchase of Minority Interest	1,188,000
Extinguish Co Bank Debt	4,001,000
Extinguish Miscellaneous Debt	64,000
Contribute DFT debt to Maytums	3,209,507
Contribute LICT debt to Maytums	1,115,611
Note Payable to Brighton	3,250,000

Financing for this transaction comes partly from LICT through a $3,250,000 note payable to Brighton. The remainder of the financing will be provided through a series of loans amounting to $12.75 million from First Niagara Bank (FNFG or the bank) which will provide both the cash portion of the consideration shown above as well funding for the operating needs of Brick Skirt and its affiliates.[4] The direct obligors on the bank loans will be DFT and those operating companies that are recipients of elements of the financing.

In addition, on November 6, 2014, the original petition was amended to reflect revised terms in the loan agreement with FNFG. Under those revised terms, no property of D&F or Cassadaga, either personal or real, would be pledged as security for the debt incurred by the parent. Instead, the bank will accept a pledge of the ILECs' stock as collateral. The principal amount of the term loan increased to $11.25 million, its term extended to 57 months, and its amortization

4 In its initial petition, Brick Skirt indicated that its package of loans would include a $9.0 million Term Loan, a Commercial Mortgage of $2.25 Million, an Equipment Loan of $1.0 million and a Demand Line of Credit of $0.5 million.

period extended to ten years. This replaces a combination of a $9 million term loan with a 54-month term and a seven-year amortization, and a $2.25 million commercial mortgage with a term of 54 months and an amortization of 20 years. Because there is no longer a commercial mortgage component of the bank debt, which was in place prior to the amendment to the petition, there will be no pledge of ILECs' real estate or other property. The interest rate under this revised structure is however increased by 25 basis points.

The term loan will carry a 4.75 year term, with an amortization schedule of ten years. Consequently, the refinancing of the remaining balance of the term loan is anticipated as part of this transaction. Brick Skirt anticipates that it will refinance the remaining balances in a new term loan that it expects will have a term of ten years. The unique loan structure gives both parties a second look at how the assimilation to a standalone company has progressed after 4.75 years; and the refinancing over a longer-term will lower the annual debt service. In addition to the package of bank loans, $1 million in funding will be provided by another investor, consisting of $425,000 in equity and $575,000 in debt.

As a result of the transaction, post-acquisition leverage will increase to 87% from its current level of 31%. A portion of the bank loan will be used to pay off an existing debt of DFT Communications to CoBank of $4.01 million, and to pay off approximately $875,000 of subordinated debt owed by DFT Communications or Brighton to certain members of the Maytum family. The remainder of the $11.25 million term loan will go towards the purchase of DFT and its going forward operating needs.

The recording of the transaction causes several other changes in capitalization. The book value of the minority interest owned by the Maytum family will be written up to current value, i.e., the pro rata share of the transaction will be recorded as equity. Additionally, debt formerly owed to the Maytums will be converted to new equity. Finally, additional equity is recognized to reflect the forgiveness of a loan to the former owner.

The petition claims that the transaction is in the public interest. It states that this transaction will reverse the prevailing process by which local, family owned corporations are acquired by large holding companies without local roots. The petition posits that local ownership will better serve the best interests of the local community because the owners will be more connected and accountable to their customers and local leaders. Following the transaction, Brick Skirt intends to place representatives of the local business and residential communities on the boards of D&F and Cassadaga.

Further, the petition states that the acquirers possess a high degree of technical expertise, managerial skill, and knowledge of the operation of the telephone business in this state, particularly in the rural areas. As evidence of this, the petition notes that the Commission has issued service quality commendations to D&F for 24 consecutive years and to Cassadaga for 20 consecutive years under the management of the proposed acquirers. The petition states that the companies will maintain the level of financial, technical, and managerial resources necessary to assure the continuation of high quality service. Finally, the petition claims that the transaction will be transparent to, and will have no impact on customers. All existing tariffs and customer contracts of D&F, Cassadaga, and DFT Local Service will remain in effect and the ILECs will not seek to increase basic services rates beyond what is now authorized by existing Commission orders.

DISCUSSION

In approving a proposed telephone company acquisition under PSL §§ 100 and 101, the Commission must find that the transaction is in the public interest. In the case of telephone acquisitions in which ILECs face robust competition (such as here) the public interest standard has been interpreted by the Commission in light of the unique challenges facing the smaller companies in the industry to protect ratepayers without unduly restricting the flow of capital. That in turn translates to maintaining a minimum level of credit quality and ensuring that ratepayers are protected. The Commission examines the relative benefits and detriments focusing on three primary areas: (1) maintenance of service quality at just and reasonable rates; (2) impact on competition; and, (3) financial integrity. Given the conditions we are requiring here to ensure that these interests are maintained, we find that the transaction as modified meets the public interest standard of review as applied under telephone acquisitions of this nature. We note that our approval is granted based upon the specific and unique set of facts presented in this case and the Commission will evaluate all future petitions of this nature on a case-by-case basis.

Benefits

One tangible benefit of the proposed transaction is a pledge made in the petition that going forward D&F and Cassadaga will not file for major or minor rate increases and will only seek adjustments in rates through the Commission’s Framework proceeding or other Orders authorizing specific rate increases. Thus, they will refrain from requesting general rate relief under their new ownership. This general prohibition from rate filings will mitigate concerns about potential cost increases resulting from the acquisition.

There are several intangible benefits of the proposed transaction. First, as opposed to LICT, which operates many telephone subsidiaries, Brick Skirt, through DFT, will have its attention focused on the D&F and Cassadaga ILECs and their customers, since those would be the most significant businesses it owns. We expect that the management will be more in tune and responsive to the needs of the local communities in which these companies provide service. This includes residential and business customers, as well as local elected officials, a number of which filed letters with the Commission in support of this proposed transaction. Second, the new ownership group has a considerable and proven history in managing these companies. This is evidenced by the 24 consecutive years of service quality commendations issued by the Commission for D&F and 20 consecutive years for Cassadaga. We expect this level of service quality to continue after this transaction. Third, the pledge to place representatives of the local business and residential communities on the boards of D&F and Cassadaga will allow the local community to have more of a voice in the ILECs' affairs. No synergies are expected to be lost from the transaction as LICT provided few shared services to the DFT companies.[5] Brick Skirt also will acquire recently upgraded systems that are close to 100% capable of providing high quality DSL service (meeting the current FCC's minimum speeds for broadband).

Potential Detriments and Conditions

For a company seeking to acquire an ILEC that is facing competition, our potential financial integrity concerns are somewhat mitigated by the availability of alternative sources of telephone service. Given the predominance of

[5] LICT has historically operated under a decentralized model that has given the Maytum Family wide discretion in management. Thus, this transaction does not present the loss of synergies that occurs when a company is divested from a centralized business model.

competition in these ILEC service territories there is less risk that ratepayers will not have alternatives to the ILEC services. In addition, LICT has historically operated under a decentralized model that has given the Maytum Family wide discretion in management. Thus, this transaction does not present the loss of synergies that occurs when a company is divested from a centralized business model. Moreover, Brick Skirt's pledge that the utilities will only increase rates as previously authorized by the Commission obviates much of our concern that this transaction will thrust cost onsets upon customers.

The proposed transaction, however, presents a scenario that in many ways runs counter to the Commission's general preference of encouraging consolidation within the ILEC industry. The transaction proposed is a divestiture that creates another small ILEC group, albeit one that is heavily invested in non-regulated services, including broadband, security, and electrical contracting. Moreover, the loss of LICT as a parent will in turn cause the loss of strong financial support, expertise, and broader service offerings. While Brick Skirt claims that there will not be cost onsets associated with the transaction because it insists it will get the same pricing from suppliers and contractors post transaction, this remains to be seen. There are also other financial detriments arising from the proposed transaction, most notably, high post transaction leverage at DFT, cross default provisions in the parent's loan agreements, the addition of more goodwill to DFT, a restrictive covenant that requires all the free cash flow generated by DFT to be used to accelerate the payoff of the bank loans, and a general decline in financial strength in DFT offered by the independent Brick Skirt versus its former parent LICT.

This transaction will greatly increase the leverage at the DFT parent although the capital structure of the ILECs will be unaffected. After the proposed transaction, DFT will see its debt ratio increase to 87% from its pre-transaction level of 31%. This compares with the current leverage of 48% employed by LICT. Each ILEC will maintain a 100% equity ratio, although there is a great deal of double leverage present through the high leverage present at the parent.

Despite the lack of direct liability of the ILECs on the loan agreements, there remains cross default language in the parent's loan agreement. The Commission has a policy against cross default provisions in loan agreements that would place the regulated entity in default. However, since neither ILEC has issued any external long-term debt, the language in the bank loan agreement should not impact customers.

The loan agreements with the bank also contain a covenant that requires Brick Skirt to use all its free cash flow at year end toward accelerated repayment on the principal of its loan balance. This could create a situation where the bank might put pressure on Brick Skirt to reduce capital expenditures at D&F and Cassadaga in order to pay off the loans faster; or the officers might want to be relieved of their secondary liabilities in a more expeditious manner. Reduced capital expenditures could in turn impact customer service quality at the ILECs.

The proposed transaction changes the ultimate parent of the New York ILECs from LICT, a company with strong current financial metrics to Brick Skirt, a company with weaker financial metrics. Even with the modifications made to the bank loan as reflected in the joint petition's November 2014 supplement, Brick Skirt's post-transaction financial metrics are consistent with low-medium speculative grade ratings from Moody's. The heavy leverage at DFT puts significant pressure on the cash flow and interest coverage metrics and this creates the risk that this financial weakness could impact ratepayers.

When considering the financial health of an entity acquiring a New York ILEC, it is reasonable to allow an acquisition where the financial metrics of the acquirer are consistent with the average rating of the ILEC industry. The median Moody's credit rating for the ILEC industry is Ba2, a medium speculative grade rating. Brick Skirt's metrics are Ba3, slightly below the industry average. However, when companies acquire small ILECs which face competition it is appropriate to consider other desirable attributes. Brick Skirt has intricate knowledge of the two ILECs and has been part of a management team that has delivered commendable service quality to the customers of D&F and Cassadaga. Moreover, committed local management would be more likely to treat the businesses as a going concern. The current owner, LICT, is an investment company which could be tempted to withdraw cash flow for the benefit of shareholders rather than reinvesting it in the business. It should also be noted that leverage could be a risk should DFT remain part of LICT. LICT's business development strategy is to expand its existing operations through internal growth and acquisitions of unrelated businesses. It claims it is not averse to considering the acquisition of other assets or businesses that are not directly related to its present businesses. As such even if DFT were to remain part of LICT, there is a risk that a company whose business model is to grow significantly through acquisitions will not be able to maintain its current equity ratio of 52%.

In addition, we note that while the post-transaction leverage at Brick Skirt is high, it is not without sources of capital. It has access to a demand line of credit of $500,000 and an equipment line of credit of $1.0 million through the financing arrangements made for this transaction. Also, when the transaction closes, a new investor will contribute $1.0 million of capital. Further, Brick Skirt projects that its cash flow after the transaction will be able to service its debt and capital expenditure needs. Moreover, Brick Skirt is buying ILECs with "move in" condition networks with no apparent need for "catch up" projects that might strain capital budgets. However, should an unexpected need arise; Brick Skirt's post-transaction financial metrics indicate that it should be able to access additional funding without harm to ratepayers. Given these special circumstances of the transaction, it is reasonable for the Commission to grant approval if the proper conditions are put in place to mitigate the relative financial weakness of the acquirer and the other detriments described herein.

The cross default provision in the loan agreement provisions provide that if a debtor is in default on any one loan in a related series of obligations, it is deemed to be in default under all of the related loans from the same lender. Brick Skirt states that almost all its commercial and bank loans which involve multiple facilities have that type of provision. However, because none of the assets of D&F and Cassadaga are pledged as security for any of the bank loans, and none of the loans have any guarantees by those companies, a default under any one of the bank facilities will not result in any action being taken by the bank against either of the ILECs or their assets. Further, both D&F and Cassadaga are 100% equity financed, and any new D&F or Cassadaga debt would require our approval. The worst case scenario under the cross default provision is the bank would acquire the stock of the ILECs, an acquisition that would be subject to Commission approval, thus, protecting ratepayers from any harm.

Goodwill will be a risk for DFT whether under the LICT corporate umbrella or not. While the goodwill at DFT is substantial, the current situation at LICT is far from ideal. LICT has nearly $60 million of goodwill on its books with total common equity of $90 million. LICT performed annual impairment tests of goodwill as of September 30, 2013, 2012 and 2011. No impairment charge was required in 2013 and 2012. However, in 2011, the test indicated impairment at the company's Michigan subsidiary, resulting in a charge of $3.1 million included in amortization expense. Importantly, the past impairment analysis implies that the $11 million in goodwill at DFT pre-transaction was unimpaired, and that at most only the additional goodwill is currently at risk. Therefore, to insulate D&F and Cassadaga from being directly affected by the risk of the impairment of goodwill, it should be recorded on the books of their parent.

The negative bank covenant that potentially sends extra cash flow out of DFT to prepay principal on the loan is only a detriment if the capital expenditures are reduced below the level needed to maintain service quality. The management's past operating performance and service quality commendation awards provides some comfort that DFT will make the necessary expenditures to maintain service quality. Nevertheless, we will require that the Company meet certain service quality metrics or face the prospect of a restriction on the affected ILEC's dividend. This is to ensure that service quality is maintained given the financial parameters associated with the proposed transaction and the increase in debt at the ownership level.

In light of the large amount of leverage generated by the proposed transaction, the companies provided financial metrics to Staff that demonstrate that post-acquisition there should be sufficient, but minimal financial wherewithal to operate effectively. Given the marginal financial metrics, there is a need to protect customers from potential problems arising from the relative weakness of the new parent. LICT does not currently carry a credit rating, but, Moody's does publish a metric called Real-Time Risk Score, which is a model driven credit-worthiness score based on a company's business risk and financial risk. Moody's has determined that LICT's Real-Time

Risk Score of 2 reflects its extremely strong credit quality, which improved from a score of 4 a year ago. LICT's score is much stronger than the Wired Telecom industry's median score of 5. Thus, while DFT meets the Commission's minimum level of financial wherewithal, it is nonetheless moving to a weaker parent. The conditions we adopt below provide appropriate additional safeguards to protect customers.

1. Costs of this acquisition will be excluded from the rate base, expenses, and capitalization in the determination of rates and earned returns of D&F and Cassadaga for New York State regulatory accounting and reporting purposes.

2. Dividend payments by D&F and Cassadaga will be suspended, severally, if their service quality deteriorates such that the average Customer-Trouble-Report-Rate (CTRR) level at the respective ILEC is greater than 5.5 reports per 100 access lines for three consecutive months. This level will be measured using a rolling average of the previous 12 months. The dividend suspension shall end upon a return to an average CTTR rating at or below 5.5 reports per 100 access lines for three consecutive months, on a 12-month rolling average basis. The ILECs may seek relief from the Commission from this dividend restriction if they can demonstrate that there were extraordinary events or circumstances beyond the companies' control that impacted their service quality performance.

3. D&F and Cassadaga, severally, will maintain a minimum common equity ratio of 40%.

4. The DFT Family of Companies will provide Department of Public Service Staff complete access to their books and records.

5. Any costs related to the change in control shall not be recovered from ratepayers.

6. The goodwill resulting from this transaction will not be charged to ratepayers or included on the books and records of D&F and Cassadaga.

7. D&F and Cassadaga shall be prohibited from filing for any rate increases that will become effective within five years from the effective date of the proposed transaction.

With these conditions, we find that the proposed transaction meets the PSL's public interest standard for telephone acquisitions of this nature. In sum, the change in control to Brick Skirt assures that competent management remains in place. Brick Skirt is acquiring D&F and Cassadaga with move-in condition networks that meet the FCC's current guidelines for broadband speeds in their service territories. Brick Skirt's management played a large part in the building of the current networks and as stated previously D&F and Cassadaga have received two-plus decades of consecutive service quality commendations from the Commission under the management of the Maytum family.

Moreover, the competitive environment facing both companies mitigates any risks and/or concerns attendant with the proposed transaction. Wireless carriers cover the entire service territories of D&F and Cassadaga and cable penetration is at 90% at D&F and 50% at Cassadaga. Thus, the competitive landscape will serve to limit any potential scenario that leaves customers without phone service or excessive rates should the post-transaction entities fail. Approval of this transaction is designed to facilitate the flow of capital and further investments in New York which is an additional consideration in meeting the public interest in general.

Based on the foregoing, we grant approval under PSL § 100 to permit Brick Skirt to acquire all of the outstanding stock of DFT Communications from Brighton a subsidiary of LICT. In order to, in part, finance the proposed transaction, Brick Skirt's request under PSL § 101 to permit DFT Local Service to guarantee affiliate company bank loans is also granted. Such guarantees are permissible for CLECs because their customers have available telephone alternatives should the guarantees prove detrimental to DFT Local Service.

CONCLUSION

Based on the foregoing, the Commission finds that the proposed acquisition of DFT by Brick Skirt, as modified by the supplement to the original petition, and conditioned herein is approved.

The Commission orders:

1. The joint petition to acquire and transfer all shares of common stock of DFT Communications Corporation to Brick Skirt Holdings, Inc., subject to the conditions imposed herein, is approved under Public Service Law § 100.

2. The joint petition to permit guarantees of DFT Local Service Corp. is approved under Public Service Law § 101.

3. Within 60 days after execution of the approved transfer, Brick Skirt Holdings, Inc. shall inform the Secretary to the Commission in writing that the transfer is complete. If the transfer is not completed within one year after the issuance of the Order, the Commission may rescind its approval.

4. Within 90 days of the closing, Brick Skirt Holdings, Inc. shall file with the Secretary, all journal entries necessary to effectuate the acquisition as well as journal entries required to comply with the requirements contained herein that are recorded on the books of Dunkirk and Fredonia Telephone Company and Cassadaga Telephone Corporation.

5. Dividend payments by Dunkirk and Fredonia Telephone Company and Cassadaga Telephone Corporation shall be suspended, severally, if their service quality deteriorates such that the average Customer-Trouble-Report-Rate (CTRR) level at the respective ILEC is greater than 5.5 reports per 100 access lines for three consecutive months. This level will be measured using a rolling average of the previous 12 months. The dividend suspension shall end upon a return to an average CTTR rating at

or below 5.5 reports per 100 access lines for three consecutive months, on a 12-month rolling average basis. The ILECs may seek relief from the Commission from this dividend restriction if they can demonstrate that there were extraordinary events or circumstances beyond the companies' control that impacted their service quality.

6. Dunkirk and Fredonia Telephone Company and Cassadaga Telephone Corporation shall be prohibited from filing for any general major or minor rate increases that will become effective within five years from the effective date of the acquisition.

7. Any costs related to the change in control shall not be recovered from ratepayers.

8. The excess of purchase price over book value shall not be charged to ratepayers or included on the books and records of either Dunkirk and Fredonia Telephone Company or Cassadaga Telephone Corporation.

9. The acquisition shall not be secured by Dunkirk and Fredonia Telephone Company and Cassadaga Telephone Corporation's assets, nor shall Brick Skirt Holdings, Inc. or DFT Communications Corporation or its affiliates be allowed to pledge Dunkirk and Fredonia Telephone Company and Cassadaga Telephone Corporation's assets. Dunkirk and Fredonia Telephone Company and Cassadaga Telephone Corporation shall not provide any financial guarantees to facilitate this, or any other acquisition.

10. Dunkirk and Fredonia Telephone Company and Cassadaga Telephone Corporation must maintain a consolidated common equity ratio of at least 40% of total capitalization before any declaration of a dividend on common stock. Total capitalization includes: long-term debt (including current sinking fund requirements), short-term debt (including capital leases), minority interest, and stockholder's equity. No

dividend payment shall be permitted which will cause either Dunkirk and Fredonia Telephone Company or Cassadaga Telephone Corporation's consolidated common equity ratio to fall below 40%.

11. The Department of Public Service shall have unrestricted access to all books and records with respect to transactions by and among affiliates and between affiliates and third parties.

12. This Order shall be without force and effect until there has been filed with the Commission an unconditional written acceptance by the Brick Skirt Holdings, Inc. and DFT Communications Corporation agreeing to obey by all the terms and conditions of this Order. If such acceptance is not filed within a period of 30 days from the date of this Order, this Order may be revoked by the Commission without further notice.

13. The Secretary may, in her sole discretion, extend the deadlines set forth in this Order. Any request for an extension must be in writing, must include a justification for the extension, and must be filed at least one day prior to the affected deadline.

14. This proceeding is closed, after compliance with Ordering Clauses 3, 4, and 12.

By the Commission,

(SIGNED) KATHLEEN H. BURGESS
SECRETARY

Exhibit A
Existing Corporate Structure

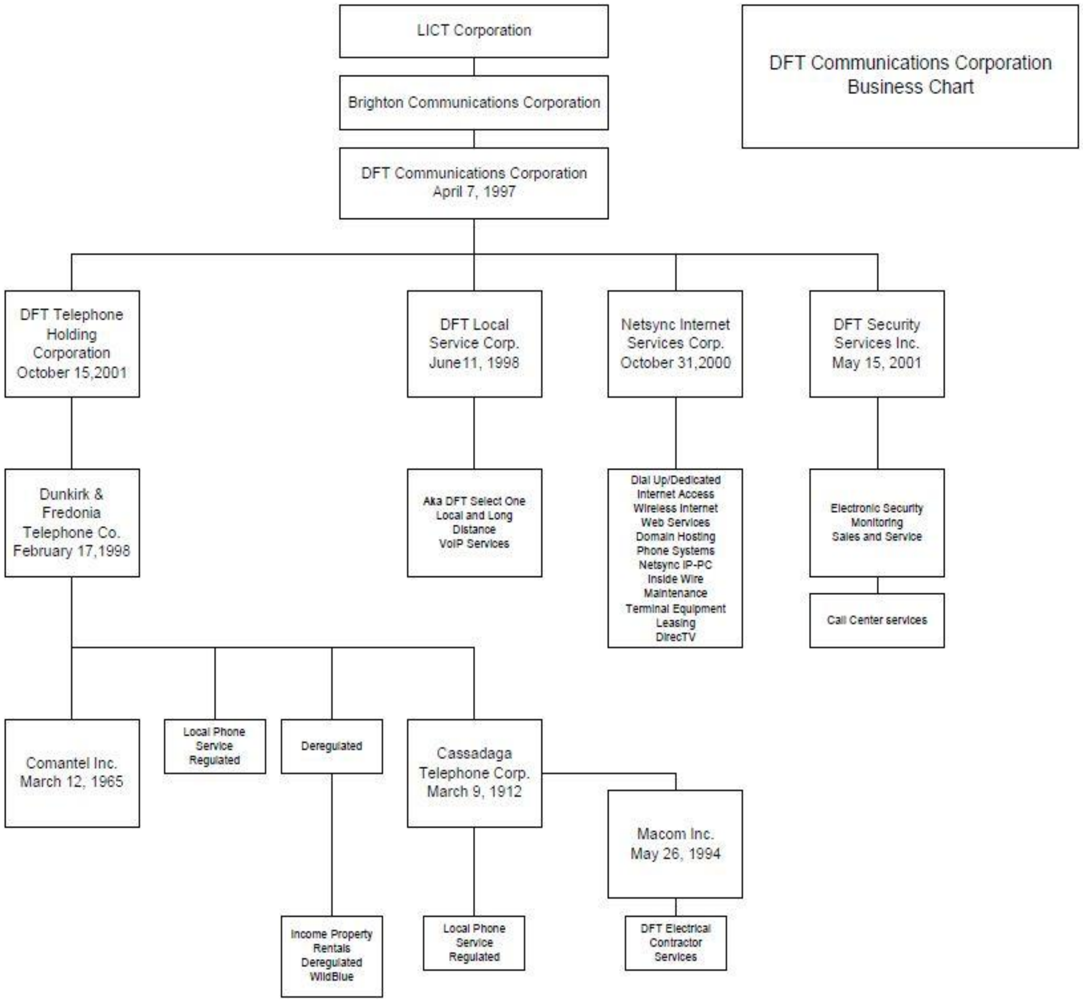

Exhibit B
Post Closing Corporate Structure