

**DECLARATION OF BRADLEY G PATTELLI REQUESTING EXEMPTION FROM
PART NN OF NEW YORK STATE BUDGET BILL S2506-C**

I, Bradley G. Pattelli, declare as follows.

1. I, Bradley G. Pattelli, am Chief Executive Officer for Atlas Connectivity, LLC and each of its pertinent operating subsidiaries of SLIC Network Solutions, Inc., Keene Valley Video, Inc., and Nicholville Telco, LLC (collectively, the “Company”). As the CEO, my job is to provide a sustainable, executable business plan which a) fairly compensates employees, b) offers valuable products and services to its customers and c) delivers attractive economic returns to its capital providers. Indeed, all are necessary to succeed in the long run.

2. I submit this declaration to seek relief from the irreparable harms that the Company would incur if it were not granted an exemption of Part NN of New York State Budget Bill S2506-C (the “Rate Regulation”) which is scheduled to take effect June 15, 2021.

3. The Company currently operates and/or has constructed plant in St. Lawrence, Franklin, Essex, Clinton, Warren, Hamilton and Washington Counties. At December 31, 2020, the Company provided broadband service to 9,155 customers in these counties. As such, the Company meets the legal threshold to qualify for relief from the Department of Public Service.

4. Importantly, the Company already provides reduced rate broadband for low income and hardship families. Being connected with our communities and ensuring that they are connected to the world is a source of great company pride. Particularly during the pandemic, we continued every single day to safely bring broadband to our customers, ensuring that they were connected for work, education, health and well-being. For those who had hardship issues, we provided a low-cost solution, a nearby free hotspot or a reasonable financing alternative. For teachers who called to pay for students to make sure they were connected, we footed the bill.

Since becoming CEO in early 2018, I cannot think of a single family who could not get broadband service from SLIC within its footprint due to economic hardship. But this type of outcome, which requires genuine stewardship and a commitment to service cannot be legislated, particularly using broad brush solutions. Nor can it ignore underlying unit economics. Significantly, the Company is committed to continuing its current sensible and viable program for those experiencing affordability problems.

5. To assess the pervasiveness of the qualifying households covered under the Rate Regulation, particularly with respect to the Free or Reduced Lunch Program component of the law, the Company utilized information from the Kids' Well-being Indicators Clearinghouse (KWIC), developed by the New York State Council on Children and Families. According to the KWIC website, the source of its data is NYS Education Department, Office of Information, and Reporting and Technology services. Utilizing this information, approximately 50% - 70% of the households, depending on the county, will qualify for discounts under the Free or Reduced Lunch Program component of the Rate Regulation. Additional significant percentages will qualify under the other qualifying tenets of the Rate Regulation, particularly as the counties the Company serves are rural, primarily lower income and older demographics. Even using the low end of the range from the source data above, the Company's business would be decimated by the Rate Regulation, leaving many of these customers with no service – precisely the opposite result of the stated intent of the Rate Regulation.

6. Currently, the Company's pole rental expense and real property expense already exceed \$15 per customer. This is before paying for expenses related to wages, healthcare and other required benefits for employees, electronics, bandwidth, power, service trucks, gas, rent, insurance, survey charges, rights of way fees, etc. The math is profoundly simple – every \$15

customer results in a loss to the Company, month after month – and there certainly aren't enough “other” customers in our rural markets to subsidize this forced loss. In fact, the vast majority of the Company's customers are already price capped per the terms of the New NY Broadband Program grants. Quite simply, the more \$15 customers one serves, the more value is destroyed – violating part c) of my role as summarized in section 1 above. So, in order to minimize the value destruction, the Company will have to cut costs. The only costs that can possibly be cut are employee costs. If we cut employee wages, reduce benefits or initiate a reduction in force, we certainly harm all of the affected employees and we will unquestionably harm the business, as we will suffer from declining customer service and reduced capabilities to manage the network, to roll a truck to provide field services to customers – precisely the opposite of what is in the public interest. There simply will not be the economic strength to support the business. In this scenario, I would be forced to violate part a) and part b) of my duties above – hurting employees and providing poor value to customers. This is completely untenable and contrary to good business. To demonstrate the financial impact, I submit appendix A outlining the current 5-year operating plan and the pro-forma operating plan if the Rate Regulation is enforced without exemption for the Company.

7. From the Appendix A, one observes that the Company goes from [REDACTED] to [REDACTED]. Of course, this is not sustainable. Any near term, offsetting benefits that the Company might receive from the FCC's Emergency Broadband Benefit program, in which the Company has filed to participate, may be as short as six months, and will in any case most certainly be dwarfed over time by the unsustainable price setting by the Rate Regulation, absent a granted exemption.

[REDACTED]

9. In a business where the marginal cost exceeds the marginal revenue, growth destroys value. It is that simple. Therefore, no rational market participant will choose to grow. Even if the lending institutions would allow it, the Company will not have the cash flow nor the economic incentive to pursue it. Only the largest, deepest pocketed participants might opt to lose more and more money with the hope that smaller, local participants might be forced out of the market in the longer term – creating a less competitive marketplace. As one can further observe from Appendix A, the effect of the Rate Regulation on the Company is a reduction in cash flow available for investment in new plant on the order of [REDACTED] over the next four years. This

result directly opposes the stated goal of the State and of the Company of connecting more New Yorkers. It is also clearly not in the public interest.

10. Further, in a marketplace where growth destroys value, like other market participants, the Company cannot pursue new growth. While the Company's SLIC affiliate is in the process of building hundreds of miles of plant to reach thousands of New Yorkers as part of the New NY Broadband Program, Rate Regulation will cause [REDACTED] [REDACTED] – violating the spirit of these agreements by fundamentally and unilaterally changing the terms. Further, all marginal projects which are required to serve the remaining unserved and underserved New Yorkers are less likely to occur given the declining economics. If the economics did not support the projects to build to these homes prior to Rate Regulation, they certainly will not afterward.

11. Compliance with the Rate Regulation will also entail costly administrative expenditures, at a time when mandated reduction in profitability is occurring. The Rate Regulation conditions customers' eligibility for the discounted rates on their eligibility for other state and federal benefits. But unlike the federal government, which has created a National Verifier that the Company can use to determine who is eligible for federal benefits like Lifeline and the Emergency Broadband Benefit, New York has not created any such system. Therefore, the Rate Regulation will require the Company to develop its own eligibility verification system, which will likely prove complex, time consuming and expensive – just to determine which customers fall within its terms. Even worse, if the Company, based on this home-grown verification system, incorrectly denies the regulated rate to a consumer, it faces a \$1000 fine for each such error. Additionally, the Rate Regulation requires providers to advertise the availability of discounted service to low-income consumers. [REDACTED]

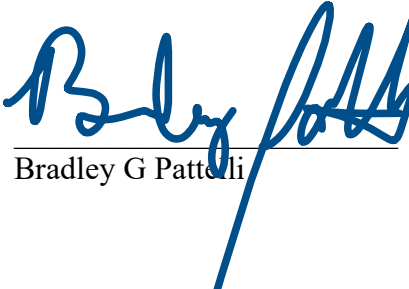
████████████████████ Rate Regulation requires that the Company must incur the additional costs of mandatory advertising to promote selling a mandated product at a mandated loss. All of these administrative costs, taken together, will be a substantial burden on the Company and will cause serious damage to the company, its employees and ultimately the very customers that it serves. All of these marketing, implementation and administrative support requirements add additional expenses that the Company cannot shoulder.

12. Lastly, if the Company fails to be granted the exemption from Rate Regulation, it will have an extremely difficult time serving its existing communities. The Company will not have the resources to help the communities that it effectively serves today. The Company will not be able to answer the call in the next natural disaster because it will have been gutted by Rate Regulation. This is not the reputation that the Company has worked diligently to create for itself over the past several years among the local counties and towns it serves. The Company's reputation is irreplaceable, and damage will be consequential.

13. For all of the reasons contained herein, on behalf of the Company, I respectfully request an exemption from Part NN of New York State Budget Bill S2506-C.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 14th day of May, 2021.


Bradley G Pattoli