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we-07-22

Kevin Martin, Chairman
Federal Communications Commission
445 Twelfth Street SW
Washington, DC 20554

Dear Chairman Martin:

I write out of concern that the proposed sale of certain Verizon telecommunications operations in Maine, New Hampshire and Vermont to FairPoint will not fulfill the FCC's mandate to ensure that such a transaction will serve the public interest, convenience, and necessity.¹

Verizon's choice of FairPoint raises questions. This choice would seem to have been made in large part, if not solely, to allow Verizon to avoid paying taxes on the deal. The assets are proposed to be transferred to FairPoint by taking advantage of the reverse Morris Trust (RMT), a section of the tax code (26 U.S.C. 351, 355(e), 361, and 368) that was intended to allow businesses to reorganize without having to pay taxes. The RMT is a rarely used structure that requires that a small company receive the assets in order for the seller to reap the tax exemption. While structuring a sale of assets in this way can be profitable to the seller and its shareholders, it can be onerous on the small buyer.

It would seem that the new demands of lenders on FairPoint would be passed directly through to customers in the form of higher rates, solely to service the debt. Beyond that, FairPoint's costs associated with owning debt would prevent it from making new investments to improve upon existing equipment. Significant pressures will be created to lay off workers, which will likely result in worse services that will diminish the quality and reliability of local telephone service. Line maintenance and repair, tree trimming and winter storm damage repair are all services which would suffer, as would new line installation time horizons.

Failure to expeditiously install the infrastructure necessary to bring high quality service to the rural areas would entrench a two tiered system; one where urban areas will get access to technically advanced, dependable broadband services that are crucial to

¹ 47 U.S.C. §§ 214(a) and 310(d)

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economic vitality and another where rural areas get low quality service or no service at all.

If the proposed Verizon-FairPoint merger is not able to provide customers with quality service and new service to underserved areas, the merger would not be consistent with the Commission's responsibility to ensure such transactions serve the public interest, convenience, and necessity. As such, the Commission should conduct a thorough analysis of the proposed merger.

I look forward to your response.

Sincerely,



Dennis J. Kucinich
Chairman
Domestic Policy Subcommittee