

*OpEd*

## **John Crowley: Getting the facts straight on broadband expansion**

By BDN Staff

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The discussion around FairPoint Communication Inc.'s plans to merge with Verizon's telephone operations in Vermont, Maine and New Hampshire has sparked some opposition, but many positive comments are coming from those who recognize the benefits. Like any good company, we respect each viewpoint, and encourage constructive dialog.

Now, it is time to focus on the facts about our broadband expansion plan and our intention to hire 600 new positions throughout the region. We know the transaction will be good for customers, employees, shareholders, and for the communities we serve. The result will be a financially sound company with strong cash flow, focused on providing great customer service and advanced high-speed communication services.

FairPoint is and will be "financially sound" even though some have questioned this. The evidence shows FairPoint clearly has the financial resources to execute the merger with the northern New England operations of Verizon. We are a publicly traded company, with our stock listed on the New York Stock Exchange. Our company currently has an enterprise value of approximately \$1.25 billion, demonstrating significant financial resources and access to capital even before the transaction. Furthermore, we have a proven track record, having successfully acquired and integrated 31 local exchange companies spread across 18 states in just 14 years.

We have agreed that Verizon and its stockholders will receive approximately \$2.71 billion for their northern New England operations. A little over a billion dollars of that will come from the issuance of additional FairPoint stock to Verizon's stockholders. The remainder will come from borrowing. Lehman Brothers, Morgan Stanley, Bank of America and other leading financial institutions have already agreed to provide the majority of the debt financing that FairPoint will need to complete the transaction.

Once the merger is complete, FairPoint will be the eighth largest wireline telecommunications company in the United States. We will be big enough to thrive in today's dynamic communications marketplace, without sacrificing the local focus that has been and will be FairPoint's trademark.

After closing, FairPoint expects to have approximately \$1.5 billion in revenues, making it one of the largest companies of any type in northern New England. For a local perspective, our revenues will be roughly the same as L.L. Bean's global sales. Our goal is to be a strong presence in New England

A few critics have speculated about FairPoint's ability to "handle" the transaction-related debt and still fund its other obligations, such as our commitment to increase broadband availability. In reality, this transaction will result in a reasonable corporate debt to equity ratio and, for comparison purposes, has a more conservative financial structure than most home purchases. Again, over \$1 billion of the purchase price will be equity, which equates to a "down-payment" of roughly 37 percent — far greater than most people put down on their homes.

Regardless of the debt and equity composition of any purchase, the key factor is whether the combined company after the merger has enough cash flow to cover its obligations. This is where opponents miss the point. We expect the combined company to generate cash flow greater than the amount necessary to cover planned network investment, operating expenses, all debt service and dividends to stockholders. There is even potential for additional cash flow growth depending on new services and efficiencies. All this adds up to a simple fact: We believe FairPoint will be able to make its "mortgage" payments and fund needed improvements, with enough money to spare to cover the unexpected.

As a public company, FairPoint takes seriously its legal obligations to have a sound basis for all statements we make regarding the financial characteristics of our company and the transaction. In addition, FairPoint has provided all relevant financial data to the state regulatory agencies that have responsibility to review the transaction. We trust the ability of these agencies — which exist to ensure the public interest is protected — to analyze the facts and make informed decisions in the best interest of the citizens they serve.

We believe the merger should be approved. Then, FairPoint will have the opportunity to bring first-class, advanced telecommunications services to the citizens of northern New England. We look forward to that opportunity to continue to serve our existing customers as well as our new customers.

*John Crowley is chief financial officer for FairPoint Communications, Inc.*