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Received & Inspected

JUN 01 2010

FCC Mail Room

Ex Parte

May 20, 2010

The Honorable Julius Genachowski  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

The Honorable Michael J. Copps  
Commissioner  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

The Honorable Robert M. McDowell  
Commissioner  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

The Honorable Mignon Clyburn  
Commissioner  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

The Honorable Meredith Atwell Baker  
Commissioner  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: WC Docket no. 09-95. In the Matter of Applications filed  
by Frontier Communications Corporation and Verizon Communications, Inc.  
for Assignment or Transfer of Control

Dear Chairman and Commissioners:

I am writing on behalf of the Communications Workers of America, AFL-CIO and as a follow-up to my letter of May 17, 2010 regarding the Applicants use of the Reverse Morris Trust tax-free mechanism (RMT) for this proposed transaction.

As you recall, in that letter I pointed out that as provision of H.R. 4849 on March 24, 2010, the United States House of Representatives voted 246-178 to repeal the RMT. In coming to this vote the House stated,

The Committee is concerned about the levels of debt incurred in divisive transactions in which one corporation is relieved of debt while the other subsequently separate corporation is heavily burdened. In recent years, Congress has sought to limit a distributing corporation's ability to cause a controlled corporation to distribute cash or assume the distributing corporation's debt prior to a tax-free spin-off. (House Report 111-447)

I further noted that the Committee concluded that, "The change more closely conforms the treatment of securities received in other corporate organizations and reorganizations." At that time I stated that H.R. 4849 is currently pending before the United States Senate.

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Federal Communications Commission  
RE: WC Docket No. 09-95  
May 20, 2010

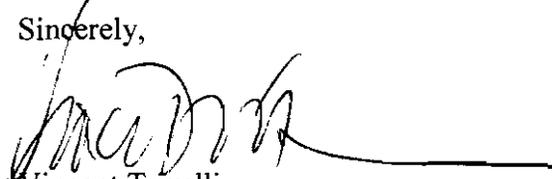
Ex Parte

I am writing to you to inform you that today Senator Rockefeller introduced a similar bill in the United States Senate. (See attached News Release) Senator Rockefeller states that, "This harmful loophole allows businesses to take advantage of the law at the expense of hard-working taxpayers. By insisting that companies pay their fair share of taxes, we are promoting common-sense tax policy and good business practices."

Once again, in comparison to the arguments of Frontier Communications Corporation, Senator Rockefeller is joining the United States House of Representatives in saying that the tax-free nature of transactions such as the instant matter do not make sense. Rather, CWA's articulated concerns regarding the high levels of debt that entities, such as Frontier, take on as a result of the RMT and that such transactions should not be subsidized by taxpayers, are being echoed by Congress.

Simply put, tax subsidies of this magnitude should be a clear warning sign to the Commission that this deal is deeply flawed. Given the above and the record of past Verizon RMT deals, there are sufficient reasons for the Commission to Order a hearing on the facts and on whether the proposed transaction is in the public's interest.

CWA appreciates the Commission's willingness to consider the issues it has raised. If you have any questions or concerns please feel free to contact me.

Sincerely,  
  
Vincent Trivelli

Cc: Edward Lazarus  
Jennifer Schneider  
Angela Giancarlo  
Angela Kronenberg  
Christy Shewman  
Sharon Gillett  
Paul De Sa  
Zachary Katz  
Donald Stockdale  
Nicholas Alexander  
Carol Simpson  
Alexis Johns

**JAY  
ROCKEFELLER**  
UNITED STATES SENATOR FOR WEST VIRGINIA



**N E W S R E L E A S E**

<http://rockefeller.senate.gov>  
FOR IMMEDIATE RELEASE  
May 20, 2010

Contact: Rebecca Gale  
202-224-6101

**ROCKEFELLER FIGHTS TO CLOSE  
CORPORATE TAX LOOPHOLE**  
*Introduces Legislation that Saves Taxpayers \$260 Million*

Washington, D.C.—Senator Jay Rockefeller has introduced legislation to close the “Reverse Morris Trust” corporate tax loophole. This tax shelter has been used by corporations seeking to sell unwanted assets without paying taxes on the money they make. Senator Rockefeller’s legislation would close this corporate tax loophole, saving taxpayers \$260 million over ten years according to the nonpartisan congressional Joint Committee on Taxation.

“Corporate tax loopholes need to be shut down – plain and simple,” said Senator Rockefeller, a senior member of the Senate Finance Committee, which has jurisdiction over this issue. “This harmful loophole allows businesses to take advantage of the law at the expense of hard-working taxpayers. By insisting that companies pay their fair share of taxes, we are promoting common-sense tax policy and good business practices.”

**Background**

Under a “Reverse Morris Trust” transaction, a parent company can spin-off a subsidiary that merges into the acquiring company tax-free, as long as the shareholders of the parent company control more than 50 percent of the voting rights of the resulting merged company. Under current law, parent companies must pay taxes on gains from their subsidiaries if they receive cash payments, but not if they receive payments in the form of debt securities. The Rockefeller legislation fixes this problem by making debt securities paid to a parent company taxable income (as if it were cash payments). This removes the tax incentive to leave a subsidiary and the merged company saddled with high levels of debt, which can harm workers and hinder future business investments.

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