

1 **A.** Verizon is spinning its local and long-distance wireline operations in Maine, New
2 Hampshire and Vermont to Verizon's shareholders with FairPoint being the
3 surviving company. The specific structure will permit the transaction to be tax-
4 free transaction for Verizon and its shareholders. Both parties took into account
5 the tax-free nature of the transaction in negotiating the consideration that would
6 be paid to Verizon and the amount of debt that FairPoint would assume. This
7 structure is beneficial to FairPoint because it allows us to consummate the
8 transaction at a lower purchase price than would otherwise be the case, as
9 explained by Mr. Leach and Mr. Balhoff.

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11 From a policy perspective, these features will help to ensure that FairPoint will
12 have sufficient capability to invest in facilities and services in northern New
13 England.

14

15 **Q. What will be the operating company?**

16 **A.** The Verizon wireline local exchange and long-distance operations, through a
17 series of steps, are to be placed into two new operating companies, both to be held
18 by a new holding company that will be spun off to Verizon's shareholders and
19 then immediately merged with and into FairPoint. FairPoint will be the surviving
20 holding company, and the two operating companies will be wholly-owned by
21 FairPoint, separate from FairPoint's other, existing operating companies.
22 Verizon's experienced workforce in the state, including a number of members of
23 its regional management team, will come over to FairPoint. FairPoint's

