

**STATE OF VERMONT
PUBLIC SERVICE BOARD**

Joint Petition of Consolidated Communications)
Holdings, Inc., Consolidated Communications,)
Inc., Falcon Merger Sub, Inc., FairPoint)
Communications, Inc., Telephone Operating)
Company of Vermont LLC, FairPoint Vermont,) Docket No. 8881
Inc., UI Long Distance, Inc., and Enhanced)
Communications of Northern New England,)
Inc., for Approval of a Transfer of Control by)
Merger, Pursuant to 30 V.S.A. §§ 107, 108,)
109, 231(a), and 311)

**CONSOLIDATED’S BRIEF
IN SUPPORT OF ITS PETITION**

I. INTRODUCTION

Consolidated Communications Holdings, Inc. (“Consolidated Holdings”), Consolidated Communications, Inc. (“Consolidated”), Falcon Merger Sub, Inc. (“Falcon”) (collectively referred to as “Consolidated”), and FairPoint Communications, Inc. (“FairPoint”), Telephone Operating Company of Vermont LLC d/b/a FairPoint Communications (“TOCV”), Enhanced Communications of Northern New England, Inc. (“ECNNE”), FairPoint Vermont, Inc. (“FPV”), and UI Long Distance, Inc. (“UILD”) (all of the foregoing, together, the “Joint Petitioners”), have sought approval of a transfer of control of FairPoint to Consolidated, and to pledge FairPoint’s assets. In addition, Joint Petitioners have requested amendments to the existing Vermont Certificates of Public Good (“CPGs”), under 30 V.S.A. § 231(a), to reflect changes in the names of the existing FairPoint operating entities.¹ Consolidated files this Brief in support of the Joint Petition.

¹ The Joint Petitioners seek all Board approvals of the transaction as are required by law, and have stated in their Petition those approvals they believe to be implicated by the terms of the transaction. To the extent the Board determines that other approvals are necessary, the Petitioners request that the Board issue an order granting any and

On December 3, 2016, Consolidated Holdings, Falcon, and FairPoint entered into an Agreement and Plan of Merger (the “Agreement”) for the proposed transaction (“Transaction”). The standard the Vermont Public Service Board (“Board”) applies when reviewing such transactions is whether the acquisition will promote the public good.² The Board considers the following factors in making that determination:³

1. Whether the new company is competent.
2. Whether the new company is financially sound.
3. Whether the new company will act as a fair partner in business transactions with the citizens of Vermont.
4. Whether the new company will create new benefits for the state.
5. Whether the transition from the old company to the new company will be adequately managed.
6. Whether the transaction will impair or obstruct competition.

As demonstrated herein, this Transaction will promote the public good.⁴ Consolidated respectfully requests that the Board adopt Consolidated’s Proposed Findings of Fact and Draft Proposed Decision and approve this Transaction.

all approvals and authorizations required in connection with or as a result of the transactions described in the Petition.

² Section 107 conditions approval of a proposed transfer of assets upon a finding that the transfer will promote the public good of the State. 30 V.S.A. § 107. Section 108 conditions the Board's consent to a pledge of a Vermont-certificated utility's property upon a finding that the proposed action will be consistent with the general good of the State. 30 V.S.A. § 108. Section 109 conditions approval of a proposed merger upon a finding that the merger will promote the general good of the State. 30 V.S.A. § 109.

³ *Joint Petition of Verizon of New England Inc. and FairPoint Communications, Inc.*, Docket No. 7270, Initial Order (Vt. Pub. Serv. Bd. Dec. 21, 2007) at 21-22 (the “*Verizon Initial Order*”).

⁴ Joint Petitioners also requested, pursuant to 30 V.S.A. § 231(a) that the CPG’s for the FairPoint Vermont entities be amended to reflect name changes. This request, too, should be approved. The Board has found good cause to authorize a change in name for a Vermont telecommunications company when the proposed name change will not have any impact upon services provided to customers and there is no controversy over the requested change. *Petition of NYNEX Long Distance Company*, CPG No. 677-R, Order Amending Certificate of Public Good to Reflect Name Changes (Vt. Pub. Serv. Bd. Sept. 18, 2009).

This Transaction involves an upstream change in control. Consolidated will acquire 100% of the common stock of FairPoint in exchange for shares of common stock of Consolidated. Consolidated will thereby acquire control of FairPoint's operations in all 17 states in which FairPoint presently operates, including Vermont, and Consolidated will increase its footprint from 11 states to 24 states.

This Transaction will be seamless from the point of view of FairPoint's current customers because it will have no adverse effect on the services provided to FairPoint's retail or wholesale customers in Vermont, who will continue to receive the services presently provided by FairPoint on the same terms. Consolidated will step into FairPoint's shoes in all respects and will assume all rights and obligations that FairPoint has in Vermont, including, without limitation, 1) TOCV's obligations under the 2015-2019 Vermont Incentive Regulation Plan, 2) the service quality standards and wholesale obligations that apply to FairPoint, and 3) the current collective bargaining agreement.

In this proceeding Consolidated has demonstrated that: 1) it has both the managerial and technical competence to effectively own and manage FairPoint; 2) it is financially sound and has already secured at very favorable rates the financing necessary for this Transaction; 3) it has committed to being a fair partner in business transactions with the residents of this State by providing quality service, quality customer care, and network investments; 4) the Transaction will benefit Vermont customers in a number of significant ways, including bringing new products and services to Vermont; 5) it has a proven track record of successfully integrating acquired companies such that the transition from FairPoint to Consolidated ownership will be appropriately managed; and 6) that this Transaction will likely improve competition.

The Department retained a number of consultants for purposes of reviewing and analyzing this Transaction. Those consultants reviewed and analyzed this Transaction as follows: 1) Joel Jeanson analyzed the financial and economic issues attendant with the Transaction; 2) Curtis Mills assessed the current and historical service quality performance for both FairPoint Communications in Vermont and Consolidated Communications, as well as assessing service and product offerings by both companies; 3) Ardeth Smith reviewed and analyzed Consolidated's systems and support and transition planning as they relate to the Transaction, and also reviewed and analyzed Consolidated's business reputation; 4) Wayne Lafferty reviewed and analyzed the wholesale obligations that he opined should be applied if the Transaction is approved; and 5) Scott Wierson's review focused on network and operational issues and potential risks related to the transfer of network control. In addition, the Department's Director of the Telecommunications and Connectivity Division, its Director of Finance & Economics, and the Consumer Affairs Director submitted testimony on behalf of the Department. Based on its expert and comprehensive analysis of this Transaction, the Department has recommended the Board approve this Transaction with conditions.

Consolidated has agreed to nearly all of the conditions recommended by the Department. Consolidated and the Department are continuing to work on memorializing a settlement that would address all issues raised by the Department. The parties will keep the Board apprised of progress on that agreement.

The proposed Transaction and the financing already secured for it by Consolidated are discussed below in Section II. In the Discussion Section, Consolidated first summarizes the record evidence which demonstrates it has met the relevant factors under consideration by the

Board, incorporating its agreement to most of the Department's recommended conditions.⁵ In the second part of the Discussion, Consolidated explains the reasons why allowing for a closing on or before June 30, 2017 is important to Consolidated and how it will benefit Vermont.

II. THE TRANSACTION AND FINANCING

More specific details of the Consolidated and FairPoint Vermont corporate entities and the proposed Transaction are set forth in the Proposed Findings of Fact and Draft Proposed Decision submitted by Consolidated with this legal Brief. Those Findings of Fact are incorporated in full herein by reference. Below is a summary of the Transaction and financing secured by Consolidated.

A. The Proposed Transaction

On December 3, 2016, Consolidated Holdings, Falcon Merger Sub, Inc., and FairPoint entered into an Agreement and Plan of Merger. Childers pf. at 4; Joint-Petitioners Exh. 1. On March 28, 2017, Consolidated Communications Holdings, Inc.'s and FairPoint Communications, Inc.'s respective shareholders each overwhelmingly voted in favor of the merger Transaction. Shultz reb. pf. at 1. Consolidated shareholders approved the transaction with over 98% of Consolidated shareholders voting to approve the transaction. Reed reb. pf. at 2.

The proposed merger, if approved, will result in an indirect change in control of TOCV, FPV, UILD, and ECNNE, but will not otherwise affect the services received by FairPoint's customers in Vermont. Shultz pf. at 9–10.

The proposed Transaction is structured as a reverse triangular merger. It involves Consolidated's acquisition of 100% of the common stock of FairPoint in exchange for shares of

⁵ The conditions were incorporated within the prefiled testimony of each of the eight Department witnesses. They are summarized in the Proposed Order Section of Consolidated's Proposed Findings of Fact and Draft Proposed Order.

common stock of Consolidated. Consolidated will thereby acquire control of FairPoint's operations in all 17 states in which FairPoint presently operates, including Vermont. At closing, Falcon will be merged with and into FairPoint, and FairPoint, the surviving entity, will become a wholly owned subsidiary of Consolidated. Shultz pf. at 9–10; Exhibit CCI-MJS-3.

The Transaction is structured as an exchange of stock. Specifically, FairPoint shareholders will receive 0.730 shares of Consolidated Holdings stock for each share of FairPoint stock. Thus, there will be no borrowing to acquire stock of FairPoint. However, Consolidated Holdings will incur new debt largely to refinance the existing debts of FairPoint. Cash is not a component of the consideration other than Consolidated's customary settlement of fractional shares. Childers pf. at 6.

FairPoint will have one seat on the Consolidated Communications board. Shultz pf. at 10.

Under the Transaction, Consolidated will assume all existing FairPoint regulatory obligations as they now exist and will also be bound by the outcomes of the Board proceedings in Docket Nos. 8701 and No. 8850, which are now pending before the Board. Reed pf. at 10–11.

After the closing, FairPoint will continue doing business in Vermont under the Consolidated name as a direct subsidiary of Consolidated. The transaction thus requires amendments to the existing Vermont CPGs of TOCV, FPV, UILD, and ECNNE to reflect changes in company names. Other than changes in their names, TOCV, FPN, UILD, and ECNNE will continue to operate as they presently operate, pursuant to existing operating authority, and will continue to provide services to current retail and wholesale customers in Vermont as indirect subsidiaries of Consolidated. Shultz pf. at 10. Accordingly, the proposed transaction does not require the issuance of any certificates of public good to new operating

entities or any designation of new Eligible Telecommunications Carriers (“ETCs”) under state or federal law.

The Transaction requires approvals by the following state or federal agencies: Federal approvals are: 1) the FTC - Hart Scott Rodino filing, and 2) FCC Domestic and International Section 214 and wireless license transfer approvals. The states of Colorado, Georgia, Illinois, Kansas, Maine, New Hampshire, New York, Ohio, Pennsylvania, Vermont, and Virginia will require formal approval of this merger. The following states do not require approval: Alabama, Florida, Massachusetts, Missouri, Oklahoma, and Washington. Shultz pf. at 10.

The required approvals have been granted except in Kansas, New York, Illinois, Maine, and New Hampshire. Settlements have been filed in both the Maine and New Hampshire proceedings. Consolidated expects to receive approval in these other states before the end of June 2017. Tr. 05-08-17 (Shultz) at 97-99; correspondence of Debra L. Bouffard, Esq., to Judith Whitney, Clerk of the Board, dated May 26, 2017, at 1 (referencing New Hampshire and Maine settlements).

B. The Favorable Financing Secured By Consolidated

Consolidated has already secured, at favorable rates, the necessary funding for the Transaction. To finance the Transaction, Consolidated secured underwritten debt financing from Morgan Stanley Senior Funding, Inc., MUFG, TD Securities (USA) LLC, The Toronto-Dominion Bank, New York Branch, and Mizuho Bank, Ltd. (the “Lenders”) to finance the redemption or repayment of the outstanding long-term debt of FairPoint, currently approximately \$916 million, and to pay costs associated with the Transaction. Childers pf. at 6–7.

The transaction involves a pledge of FairPoint assets as well as FairPoint stock. By pledging both, Consolidated receives a more favorable interest rate. Childers pf. at 7.

Consolidated's secured term loan facility will bear interest at a rate of approximately 4% compared to FairPoint's current facility of approximately 7.9%. Reed pf. at 13; Childers reb. pf. at 3.

FairPoint's existing indebtedness consists of an approximately \$617.6 million term loan due 2019 with a weighted average rate of 7.50% ("FairPoint Term Loan"), and 8.75% notes due in 2019 in an aggregate amount of \$300 million ("FairPoint Notes"). Childers pf. at 6-7.

On October 5, 2016, Consolidated entered into a Third Amended and Restated Credit Agreement, which was subsequently amended by Amendment No. 1, dated as of December 14, 2016 and Amendment No. 2, dated as of December 21, 2016 (the "Credit Agreement"). The Credit Agreement consists of the following credit facilities: (1) an initial term loan of \$900 million (the "Initial Term Loan"); (2) incremental term loan commitments of \$935 million ("Incremental Term Loans" and together with the Initial Term Loan, the "Term Loans"); and (3) a revolving loan facility in an aggregate amount of up to \$110 million (the "Revolver" and together with the Term Loans, the "Credit Facilities"). Childers pf. at 7.

The term of the term loan under the Consolidated Credit Facility extends through March 2022, rather than ending in mid-February 2019, when the term loan under the FairPoint Credit Facility expires. Similarly, under the Consolidated Credit Facility, the revolver matures in October 2021 and the notes mature in October 2022, whereas, under the FairPoint Credit Facility, the revolver expires in mid-February 2018, and the notes expire in mid-February 2019. This additional time period before the revolver matures and the revolver expires, under the Consolidated Credit Facility (relative to the existing FairPoint Credit Facility), provides continuity and assurance that the cost of debt will remain stable for a larger period of time. That fact strengthens the Company, and by extension, benefits customers. Childers reb. pf. at 6.

The lower cost of debt secured by Consolidated places the combined Consolidated company in a stronger financial position and frees up additional capital resources for a variety of uses that otherwise would have to be allocated toward paying down debt. These uses could include offering additional products and services to customers, improving and enhancing the core network to make it more reliable, and issuing dividends to shareholders in order to allow the Company to compare favorably to its peers in the market, which in turn facilitates the strong access to capital. Childers reb. pf. at 3-4.

The Department engaged ProCom Consulting (ProCom) and PA Consulting Group (PA) to provide expert witness testimony and to review the proposed transaction. Jeanson pf. at 6. The Department's consultant and financial expert, Joel Jeanson, opined that a merged FairPoint and Consolidated would be stronger financially than FairPoint remaining on a stand alone basis. Tr. 05-09-17 (Jeanson) at 182-83.

III. THE TRANSACTION WILL PROMOTE THE PUBLIC GOOD

The factors considered by the Board for approving this transaction have been satisfied. This Transaction will promote the public good.

A. Consolidated Has The Technical Competence To Successfully Own And Manage Fairpoint

In assessing technical competence, the Board looks at management and technical competence, as well as the business reputation of the acquiring company, and whether other needed regulatory approvals have been acquired.⁶

⁶ *Verizon Initial Order*, at 25.

1. Consolidated has an experienced and well-respected management team.

Consolidated has an experienced senior management team. In addition, Consolidated will have management-level personnel in the New England area with specific Vermont network knowledge, as well as, management personnel located in Vermont: 1) Mike Shultz, Consolidated's Vice President Regulatory and Public Policy will be moving to the Manchester, New Hampshire area; 2) Mike Reed, current Vermont and Maine FairPoint President, will be headquartered in Maine; 3) the current FairPoint - State Government Relations management-level employee, will be in Vermont; and 4) the current FairPoint CTO will remain in Vermont. Shultz pf. at 7; Tr. 05-08-17 (Shultz) at 58-59.

While the Department had initially requested that Consolidated have senior management-level personnel located in Vermont, it has acknowledged that it is satisfied if there is management personnel in the region, available to the Department, and with knowledge of the Vermont network. Tr. 05-09-17 (Purvis) at 45-46. Consolidated's local management team described in the paragraph above satisfies that request.

Consolidated's experienced management teams knows how to grow the company through strategic acquisitions. Consolidated has a proven record of successfully acquiring and operating telecommunications providers. Since 2004, Consolidated has acquired 18 communications businesses in 5 transactions throughout the country. Shultz pf. at 3-4. All of these acquired companies had a solid network infrastructure, like Vermont, that was underutilized and provided an opportunity to provide product innovation and quality services to customers. Shultz pf. at 4; tr. 05-08-17 at (Waggoner) 150-151.

The Department's expert consultants were well aware of Consolidated's prior experience of successfully integrating other companies. Tr. 05-09-17 at (Mills) 83; Tr. 05-09-17 (Smith) at 119.

2. Consolidated has the technical knowledge, experience and ability to serve communications customers in Vermont.

a. Consolidated's history

Consolidated has a long and proud history of being in the telecommunications industry. Consolidated Communications started over 120 years ago in Mattoon, Illinois as the Mattoon Telephone Company. Shultz pf. at 3. The Company has substantial operational experience and expertise in urban, suburban, and rural areas, and many such areas possess multiple forms of competition. Waggoner reb. pf. at 2.

Through strategic acquisitions, Consolidated has grown, particularly in the last 12 years. Consolidated's current network expands over an eleven state footprint with both Local Exchange Carrier (LEC) and Competitive Local Exchange Carrier (CLEC) networks. Consolidated serves consumer, commercial and carrier accounts. Consolidated's consumer and commercial voice products include both legacy Plain Old Telephone Service or POTS and also voice service via advanced Voice over IP technologies. Consolidated is a provider of last resort ("POLR") service in its ILEC operating areas, and is subject to service quality requirements. Waggoner pf. at 2-3.

b. The services and products offered in Consolidated's existing markets

Consolidated's consumer and small business data services range in speed from 3Mbps to 1Gbps. Consolidated offers voice, high speed broadband internet and in some areas, digital video service (cable TV) to its customers. In addition, commercial and carrier customers are offered next generation Ethernet Internet Protocol services that start at 10Mbps through 10Gbps and are delivered with a variety of redundancy options. Waggoner pf. at 2-3.

Consolidated markets its residential services to customers on either a stand-alone basis or as a bundled package, including a “triple play” bundle that includes data, video and voice services. As of September 30, 2016, Consolidated’s operating subsidiaries served approximately 462,000 voice connections, 470,000 data connections, and 109,000 video connections. Waggoner pf. at 3.

c. Consolidated's network experience

Consolidated’s network infrastructures include Time Division Multiplexing (“TDM”) equipment providing traditional switched services through the most advanced IP based components. The core networks include next generation Wave Division Multiplexing (“WDM”) and Multi-Protocol Layer Switching (“MPLS”) IP Core supporting traditional services and advanced broadband services. The last mile networks include copper, coax, and Fiber-To-The Node (“FTTN”), The House (“FTTH”), and The Building (“FTTB”). Waggoner pf. at 2.

Consolidated adopted a process of expanding the central office equipment deeper into the network in 1998 by placing fiber fed nodes closer to the customer, shortening the last mile loop lengths and providing higher quality services to the customers. This approach has been in place for the markets acquired by Consolidated and gives Consolidated the ability to offer high quality voice, data, and video services. Fiber redundancy and network equipment redundancy is deployed throughout Consolidated’s networks wherever feasible to ensure uninterrupted service for the end customers. Consolidated has connected its current eleven state markets together with a Multi-State Mesh MPLS network to provide further geographical redundancy for operational and subscriber services. Waggoner pf. at 2.

Consolidated’s extensive fiber network supports the increased demand on wireless carriers for data bandwidth. In all the markets it presently serves, Consolidated has launched

initiatives to support fiber backhaul services to cell sites. As of December 31, 2015, Consolidated had 1,224 cell sites under contract with 1,065 connected and 159 scheduled for completion by year end 2016. Waggoner pf. at 2–3

At the same time that it pushes fiber out closer to its customers, Consolidated also is maximizing existing copper network when it is in good condition. With pair bonding, Consolidated is able to get about 25 Mbps, which is roughly twice the speed the FCC's CAF program indicates. Consolidated has found that essentials, as elementary as ensuring proper grounding and sheath continuity, said "best practices," and proper tools to more efficiently ensure these measures, can substantially impact or improve service quality and even broadband capabilities, without large capital investments. Waggoner reb. pf. at 6; Tr. 05-08-17 (Shultz) at 79; tr. 05-08-17 (Waggoner) at 80.

Consolidated has experience owning an entity providing E911 service. Consolidated also has extensive knowledge and experience managing an SS7/STP network, including years of owning and operating links in the California market. Waggoner reb. pf. at 3. Shultz pf. at 17.

Consolidated is familiar with the requirements and will continue to meet FairPoint's RBOC commitments. Consolidated has a majority of the same requirements in its current operating areas; interconnection obligations, pole attachments, and LATA tandem provider, to name a few. Consolidated is experienced in those areas and has in the past worked well with the CLEC or carrier. Shultz pf. at 19.

Consolidated has experience with circuit wholesale, but the volume of wholesale service that FairPoint has is greater. The wholesale performance plan is one item Consolidated, as an ILEC, has not been required to implement. However, with this Transaction, FairPoint's wholesale carrier group does have that experience and will continue to provide that service post-

close, with the understanding that staffing may vary with the volume of the wholesale business. Shultz pf. at 19; tr. 05-08-17 (Shultz, Waggoner) at 95-96.

3. Consolidated has a good business reputation.

In reviewing the proposed Transaction and whether Consolidated was well positioned to take over FairPoint's operations, the Department conducted an assessment of Consolidated's business reputation in the states where Consolidated currently provides service, and Department consultants contacted the public service agencies in those 11 states. The Department consultant, Ardeth Smith, found that the responses received provided limited negative information and the volume of issues identified was low for a carrier of Consolidated's size. Based on the responses, the Department concluded that Consolidated has a positive record with respect to the regulatory agencies in the states where it currently provides service. Smith pf. at 21.

The Department's Consumer Affairs & Public Information ("CAPI") Division also requested information related to complaints or concerns with Consolidated during a monthly national State National Action Plan call, and it received no information that any state had concerns with or complaints as to Consolidated. Flint pf. at 4-5

Consolidated reports that in each of Consolidated's operating states, it has a strong business reputation and good working relationship with the state and federal regulators. Consolidated has received few customer complaints in its eleven states over the past three years. Shultz pf. at 6; exhibit CCI-MJS-1. Even in Texas, where Consolidated has had some difficulty meeting the very strict service quality metrics, it has worked closely with the Texas Commission to be transparent and work collaboratively on a remedy. Tr. 05-09-17 (Waggoner) at 187-88.

Consolidated also has a good reputation within the financial community. Lenders actively participated in Consolidated's financing in December 2016, which was three and one-half times oversubscribed. Childers reb. pf. at 4.

4. Consolidated has secured most of the other required regulatory approvals, and expects the remaining by no later than June 2017.

The following approvals are required by state or federal agencies: Federal approvals are: 1) the FTC - Hart Scott Rodino filing, and 2) FCC Domestic and International Section 214 and wireless license transfer approvals. The states of Colorado, Georgia, Illinois, Kansas, Maine, New Hampshire, New York, Ohio, Pennsylvania, Vermont and Virginia will require formal approval of this merger. Shultz pf. at 10; Tr. 05-08-17 (Shultz) at 99.

The Hart Scott Rodino filing was granted and the Public Utility Commissions in Colorado, Georgia, Ohio, Pennsylvania, and Virginia have approved the merger. Shultz reb. pf. at 1; tr. 05-08-17 at 97. The FCC approved the transaction on May 8, 2017. Tr. 05-08-17 (Shultz) at 169. Consolidated has reached a settlement in Maine and in New Hampshire, filed those agreements with the respective Commissions, and expects to receive decisions approving the Transaction in those states in the next few weeks. Tr. 05-08-17 (Shultz) at 97; correspondence of Debra L. Bouffard, Esq., to Judith Whitney, Clerk of the Board, dated May 26, 2017, at 1 (referencing New Hampshire and Maine settlements). In New York and Illinois, the Transaction is on the docket for mid-June, and Consolidated expects mid-June approvals in these two states. Tr. 05-08-17 (Shultz) at 98. Kansas is recommending approval, and Consolidated expects that decision at the end of May. Tr. 05-08-17 (Shultz) at 98-99.

B. Consolidated Is Financially Sound

Consolidated has been a financially solid company for over a century and has a successful track record of integrating other companies through acquisitions. Each acquisition

has improved the quality of its network and infrastructure, improved its competitive capabilities and its financial strength. Consolidated has accomplished all this while continuing to invest in broadband and infrastructure, pushing fiber to more homes each year. Consolidated maintains excellent credit ratings as compared to its peers. Shultz pf. at 15.

Consolidated's financial and operating results, for the last five years, have been very consistent and very solid on a stand-alone basis and especially good as compared to its peer group. For 2012, Consolidated reported revenues of \$477.9 million and adjusted EBITDA⁷ of \$231.9 million. Given Consolidated's focus on its growth strategy, as well as its acquisition strategy, in 2016, Consolidated estimates that revenue will be approximately \$743.0 million and adjusted EBITDA will be approximately \$306.0 million. While the clear trend over the last five years has been positive, the estimates for revenue and adjusted EBITDA for 2016 are down slightly from 2015 numbers. This is due to Consolidated's strategic decision to sell several non-core businesses, as well as due to losses in voice and video revenues, and anticipated reductions in subsidy and network access revenue. Childers pf. at 2.

Part of the growth in revenue and adjusted EBITDA seen over the last five years is due to Consolidated's acquisitions of SureWest (closed July, 2012) and Enventis (closed October, 2014). Consolidated's growth strategy is focused on growing broadband and business services for both enterprise and carrier/wholesale customer channels. Childers pf. at 3.

Consolidated anticipates the following financial benefits for the combined company assuming the Transaction is approved:

⁷ "EBITDA" is defined as net earnings before interest expense, income taxes, and depreciation and amortization. "Adjusted EBITDA" is comprised of EBITDA, adjusted for certain items as permitted or required under Consolidated's existing credit facility. These measures are common measures of operating performance in the telecommunications industry and are useful, with other data, as a means of evaluating a company's ability to fund its estimated uses of cash.

- Realigning Revenue Curve – Consolidated expects to bend the revenue curve for FairPoint which has been losing revenue at the rate of 4 to 5% a year.
- Realizing Operating Cost Efficiencies – Consolidated will focus on meeting and exceeding timelines for integration and achieving operating cost efficiencies.
- Improving EBITDA margins – Consolidated measures operating efficiency by EBITDA margin percent (Adjusted EBITDA/Revenue). EBITDA margin percentages for Consolidated on a standalone basis have been approximately 42%. Adjusted for the sale of its IT/Equipment business in December, the Consolidated EBITDA margin would be approximately 42%. FairPoint EBITDA margins have historically run in the range of approximately 29-30%.

On a pro forma basis, at close, Consolidated expects EBITDA margins to be roughly 35%.
- Increased Investment in the Business - Consolidated will continue to reinvest revenue back into the business as a capital expenditure.
- Improved Net Debt Leverage and Cost of Debt- At closing of the Transaction, Consolidated's net debt leverage is expected to be 3.8x (giving effect to full run rate synergies) and its target for leverage is now 3.5x.

The financial benefits of this Transaction are also enhanced for Consolidated by reducing cash taxes in the short term by the utilization of the \$300 million in Federal net operating losses and the ability to significantly improve the cost of debt as the FairPoint debt is refinanced.
- Encouraging Investment in Consolidated – Consolidated expects to see significant improvement in its dividend payout ratio and expects it to be significantly lower than

Consolidated's current target of 65-70% of free cash flow (as defined in its credit agreement).

Childers pf. at 8-9.

The Department's consultant and financial expert Mr. Jeanson also opined that a merged FairPoint and Consolidated would be stronger financially than FairPoint on a stand alone basis.

Tr. 05-09-17 (Jeanson) at 182-83.

C. Consolidated Will Act As A Fair Partner In Its Business Transactions With The Residents Of The State Of Vermont

1. The terms and conditions of service will be fair and reasonable.

There will be no change to commercial or residential services at close since there will not be a systems cutover. Shultz pf. at 19. For wholesale or carrier customers, at close, there will be no change to the contracts, terms and conditions of the services purchased from FairPoint. Shultz pf. at 17. Consolidated will step into FairPoint's shoes in all respects and will assume all rights and obligations that FairPoint has in Vermont. Joint-Petitioners Exh. 1, (Petition) at 3.

As requested by the Department, Consolidated has agreed that it will: 1) follow the terms, conditions, and prices contained in existing Interconnection Agreements ("ICAs"); 2) that future changes to ICAs should only be made through negotiation with CLECs at the expiration of current ICAs; and 3) that how changes are made will be based on the ICAs. Shultz reb. pf. at 8.

Consolidated does intend to adopt the recently completed Wholesale Performance Plan ("WPP"), which contains restrictions on how and when it can be modified. Shultz reb. pf. at 9.

While Consolidated must retain discretion to make staffing decisions within its wholesale carrier division, it fully intends to appropriately staff the wholesale division with the existing FairPoint knowledge-base, so as to provide fair and reasonable wholesale service. Shultz reb. pf. at 9. The Department's wholesale consultant agreed that it would be acceptable if staffing levels

were adjusted depending on the volume of business, as long as the actual relevant experience within the staff remained in place. Tr. 05-09-17 (Lafferty) at 150.

The Department's wholesale expert also requested that Consolidated continue to use the Synchronous Virtual Front Office and CDG Carrier Access Billing System ("CABS") used by FairPoint for interconnection and wholesale service ordering. Consolidated already uses CABS. Shultz reb. pf. at 9.

Consolidated also agreed to the Department's request to use FairPoint's existing change management process for the wholesale system. Shultz reb. pf. at 9.

The transaction will not impact FairPoint's RBOC commitments. Consolidated is familiar with the requirements and will continue to meet FairPoint's RBOC commitments. Consolidated has a majority of the same requirements in its operating areas. As requested by the Department, Consolidated agrees that it will comply with FairPoint's RBOC requirements until removed by state and federal regulators. Shultz pf. at 19; Shultz reb. pf. at 8.

At the Department's request, Consolidated has agreed to provide a staffing plan for the SS7/STP functional network expertise within three months after approval of the merger and file it with the Board and Department. Consolidated also agreed to provide notice to the Board and the Department at least three months prior to any transition of SS7/STP service to a third-party. Waggoner reb. pf. at 3.

As requested by the Department, Consolidated agreed that for three years post-acquisition, it would not take steps to reduce the level of Universal Service Fund ("USF") in Vermont and for the same time period, it will not relinquish the ETC designation for the Vermont entities. Shultz reb. pf. at 8.

2. Service quality will be adequate.

Consolidated is familiar with the service quality requirements of FairPoint and will adhere to them. All of the obligations applicable to the FairPoint operating companies in Vermont, including those under Docket 8390 will continue to apply post close, even after the change in ownership and brand changes. Shultz pf. at 16, 17; Waggoner pf. at 6.

Consolidated expects to determine a plan to remediate areas where it identifies consistent out-of-service or trouble areas. It has a process internally that helps “data mine” such trouble locations, which it plans to introduce into the FairPoint System. Tr. 05-08-17 (Shultz) at 67; Shultz reb. pf. at 13. Data mining means that Consolidated looks across its entire network, at both the distribution and feeder cable level, as well as at the shelf level within its central offices, and it monitors trouble activity across all of those to look for outliers. By looking across network elements for trouble patterns, that helps Consolidated ascertain in a very analytical empirical fashion where trouble trends exist. Tr. 05-08-17 (Waggoner) at 68. During the data mining, when Consolidated is targeting specific issues, it looks for trouble tickets that are associated with particular geographical areas, particular network equipment, and seasonal variations. Tr. 05-08-17 (Waggoner) at 68.

The Department’s consultant, Curtis Mills, who reviewed Consolidated’s service quality performance in Consolidated’s existing markets agreed that even though Consolidated had some challenge meeting service quality standards in two states, Illinois and Texas, that those states had very stringent standards. Mr. Mills also agreed that Consolidated’s performance is still better than what would be required under the Vermont service quality metrics. Tr. 05-09-17 (Mills) at 95-97.

Under the Texas out-of-service standard, 90% of trouble tickets have to be resolved within 8 business hours. In 2016, Consolidated missed its metric in one month in its Lufkin, Texas properties. That month, January, Consolidated achieved 85.8% of its out-of-service standard within 8 business hours in Lufkin. It also missed one month in its Katy, Texas properties in 2016. In that month it achieved 87.43% within 8 hours. Tr. 05-09-17 (Waggoner) at 184, 187, 189.

In Texas, in addition to the very stringent service quality standards there are unique weather and soil conditions that make the Texas market particularly challenging. An additional issue is the proximity of Consolidated's Texas market to Houston, which makes the job market extremely competitive. Tr. 05-09-17 (Waggoner) at 185-86. To address these issues in Texas, Consolidated has increased the number of technicians in this area, and it continues to work collaboratively with the Texas Commission. Tr. 05-09-17 (Waggoner) at 186.

The Department is not recommending that the conditions it requested in Docket 8701 be mandated as a condition of this Transaction. Tr. 05-09-17 (Mills) at 79; tr. 05-09-17 (Purvis) at 57.

The Department expects there to be improved service quality if the Transaction is approved because Consolidated is financially healthier, which the Department expects will allow it the ability to make investments and to better handle challenges facing the existing operating company today. Tr. 05-09-17 (Purvis) at 49.

3. Customer service will be adequate.

One of Consolidated's core values is to "Deliver a Better Experience," meaning it strives to put its customers' needs first, exceeding their expectations with every interaction, both internally and externally. Shultz pf. at 2-3.

One of Consolidated's goals for this Transaction is to provide service that is comparable to or better than that currently provided to FairPoint's Vermont customers. Consolidated maintains that it is deeply committed to technology advancement and innovative tools and processes that improve service quality and user experience. Waggoner pf. at 6-7.

Post-Transaction, residential and business customers will have multiple options to access customer service through on line tools and support, via a toll-free number and walk in communications centers. Shultz pf. at 17. Consolidated anticipates that it will offer its residential customer portal, which provides an end user a web-based portal for self-service and care that is available 24 hours a day. The portal allows customers to view a wide variety of service performance metrics in near real time including bandwidth usage, Wi-Fi signal strength in the home, and ability to order new services. In the future, consumers will have the ability to change services on-line and manage how their bandwidth is utilized in their home. Shultz pf. at 14.

Consolidated has committed to collaborating with CAPI. As requested by CAPI, within one month of a final order, Consolidated agreed to provide CAPI with an easily accessible, high level regulatory affairs and customer service contact specific to the Vermont book of business. Shultz reb. pf. at 9.

As well, at CAPI's request, Consolidated agreed that it will make high-level regulatory affairs and/or service quality employees available for in-person meetings with CAPI at least quarterly for the first 3 years after merger. Shultz reb. pf. at 9.

Consolidated also agreed with the Department's recommendation that Consolidated enforce the Consolidated escalation process for aging trouble tickets within 3 months of assuming responsibility for network operations. Waggoner reb. pf. at 3.

Consolidated has further agreed to comply with the FairPoint side letter from Docket 8390, that sets forth a process for the prioritization of work for individuals with medical issues. Tr. 05-09-17 (Shultz) at 191-92.

4. Emergency services will remain available.

Consolidated has a long history of managing the E911 system that serves four counties within the Illinois network, although it has chosen to transition that service to INdigital. Shultz pf. at 17. Consolidated will retain the FairPoint personnel responsible for ensuring the satisfactory operation of FairPoint's E911 service contract. Shultz pf. at 17. Emergency services will remain available.

5. Consolidated performed due diligence in reviewing the FairPoint plant.

Consolidated adheres to a consistent due diligence methodology in reviewing companies for potential acquisition. Consolidated has employed this methodology in each of its 5 acquisitions since 2004. Subsequent to initial discussions between executives of both Consolidated and the target entity, Consolidated managers with leadership roles in the relevant functional areas (*e.g.*, Network and Service Operations, Legal and Regulatory) develop thorough question and document request lists for their functional counterparts at the target entity. Each such Consolidated manager then discusses the relevant issues with his/her counterpart at the target entity. Shultz reb. pf. at 14.

Consolidated applied its established due diligence methodology in reviewing FairPoint. Subsequent to that review, the Company concluded that there were no substantial concerns with the proposed Transaction, and decided to move forward with the merger. Shultz reb. pf. at 15.

Consolidated spent a significant amount of time with the engineering and operations leadership of FairPoint reviewing the Vermont network. A comprehensive review of the

network diagrams, equipment deployments, and last mile deployments (Fiber/Copper) was conducted. In addition, an evaluation of network design within the core and the last mile was conducted, as well as how FairPoint delivers and supports the services within the State.

Waggoner pf. at 4.

A physical inspection of portions of the network was conducted. Consolidated performed substantial physical plant review, but not in the central offices. Waggoner pf. at 4; tr. 05-08-17 (Waggoner) at 92. Based on its initial due diligence, Consolidated found that FairPoint's business in northern New England currently operates on a modern platform that is well maintained and well invested. Shultz reb. pf. at 4.

During its review, Consolidated did not find the types of material deficiencies that would represent to it substantive material risk. Consolidated acknowledges that some level of ongoing network maintenance and improvement is needed to improve service reliability or enhance broadband capabilities, which is true with any legacy copper network, including those ongoing efforts in other Consolidated markets, and it is true in Vermont. Waggoner reb. pf. at 5.

Consolidated has done additional due diligence of the FairPoint network and plant since it filed its direct testimony in January 2017. Specifically, there have been meetings at multiple levels within the Consolidated and FairPoint organizations. As well, further physical plant inspections have been done. Tr. 05-08-17 (Waggoner) at 92.

During the diligence phase of the transaction, the Consolidated IT team also worked with the FairPoint IT team to map and inventory FairPoint systems; to confirm that FairPoint's use of those systems was in compliance with the appropriate licensing and support requirements; and to verify that there were no "burning bridge" issues concerning system sunset, capability exhaust,

license violations, or other legal proceedings which would affect Consolidated's ability to continue using those systems in the future. Shultz reb. pf. at 5.

Post-closing, the Company will be focused on best practices that include ongoing network maintenance and enhancement, consistent with normal network evolution. Waggoner reb. pf. at 5.

6. Consolidated has committed to reinvesting in the Vermont network.

Consolidated has agreed to the Department's request to maintain a minimum level of capital investment in the Vermont network for at least a three year time period. Specifically, Consolidated agreed to maintain a minimum level of capital investment in Vermont for network improvements at an average level of at least 14% of total Vermont revenue for a period of three (3) years after completion of the merger. "Total Vermont revenue" means Vermont-specific total revenue for all FairPoint subsidiaries operating in Vermont. Total Vermont revenue would not include the CAF II funds received, and similarly, funds received through the CAF II program that are expended to complete CAF II projects will not be used to satisfy the minimum capital investment requirements. Tr. 05-09-17 (Shultz) at 190-91.

This commitment of 14% of Total Vermont revenues for capital investments is in line with FairPoint's recent historical cap ex spending. Tr. 05-08-17 (Shultz) at 138. The Department's financial consultant made the 14% recommendation because he found that it generally was in line with, or slightly higher than, the historical spend, i.e., the last four or five years, for FairPoint. Tr. 05-09-17 (Jeanson) at 161-63. The Department's financial consultant also agreed that a three-year capital investment commitment was sufficient. Tr. 05-09-17 (Jeanson) at 163.

Initially, the Department had also recommended that to assure the investment in the Vermont network occurs, dividend payments by Consolidated to its common shareholders should be reduced by any amount the planned investment falls short of Consolidated's capital investment plan for Vermont. Jeanson pf. at 28; Winn pf. at 5.

As a public company, Consolidated's dividend policy is set by its Board of Directors. Consolidated cannot agree to any restriction on dividend payments. Childers reb. pf. at 14.

Consolidated also serious concerns with any condition on its dividend payments. Consolidated went public in 2005. Since then, it has had a very consistent dividend policy. It believes that it continues to trade to at premium to its peer group because of the consistency and stability of its dividend. Consolidated is very concerned that placing any conditions on its dividend payout, even if an insignificant dollar amount, creates an unfavorable perception that might impact the value of its stock. Tr. 05-08-17 (Childers) at 76, 166-67.

The Department made clear at the technical hearings that it was no longer making this specific recommendation of a dividend condition, and that it understood Consolidated's concerns with conditioning the dividend. Instead, the Department would be satisfied with an alternative approach to make sure capital investment was made as committed to by Consolidated. Tr. 05-09-17 (Winn) at 34-35; tr. 05-09-17 (Jeanson) at 165.

Consolidated understands the three-year capital expenditure commitment that it is making, it takes this commitment very seriously, and it believes that its agreement in this proceeding, alone, is sufficient assurance that it will honor its commitment. Tr. 05-08-17 (Childers) at 77, 166-67.

Consolidated has also agreed to the Department's request that for informational purposes only, it will share a three-year plan for Vermont specific capital investment with the Department

and the Board six months after the closing. Consolidated, however, wants it understood that its capital investment plans can change from year to year based on Consolidated's business needs and assessment of priorities, and that no further approval or requirements are to be tied to such changes. Shultz reb. pf. at 7.

7. System compatibility and connectivity will not be impacted by this Transaction.

System compatibility and connectivity issues are not present in this stock purchase Transaction. Vermont FairPoint entities will continue to operate the Vermont network as they currently do, and as appropriate and identified above, Consolidated has made the necessary commitments to retain staff with relevant knowledge recognizing that staffing levels will vary with the volume of business.

D. Customers Will Benefit From This Transaction In Several Ways

1. The combined company will be more financially stable than FairPoint on a stand alone basis.

There are a number of likely customer benefits of the Transaction: 1) a more financially stable company, 2) the offer of new services and products, and 3) the network investment commitment of Consolidated.

Through this Transaction, FairPoint will be merged into Consolidated to form a combined company that has stronger credit ratings, a more flexible credit facility, and greater revenue and cash flow diversity than FairPoint has now. All of these factors will place FairPoint and its Vermont customers in a stronger financial position relative to FairPoint on a standalone basis. Childers reb. pf. at 2.

In addition to improved credit, the expanded geographic footprint of the combined company will enhance diversity of revenue sources. This diversity will serve as an economic hedge that will help to mitigate any volatility in revenue resulting from a future, unexpected

downturn in sales in the northern New England market. On a standalone basis, FairPoint lacks this security. Childers reb. pf. at 10–11.

The Department’s financial consultant agrees that a merged FairPoint and Consolidated will be stronger financially than FairPoint remaining as a stand alone basis. Tr. 05-09-17 (Jeanson) at 182-83.

The Department thinks that Consolidated will be better managed than FairPoint, be better capitalized, and therefore, have the opportunity for better resources and improvement. Tr. 05-09-17 (Purvis) at 59.

2. New products and services are likely to be made available in Vermont.

Consolidated does intend to launch three new service categories in Vermont as soon as is practicable after the closing of the proposed Transaction. Waggoner reb. pf. at 6. The first two new offerings are for home consumers. First, Consolidated will, in conjunction with a third-party vendor, offer a home automation and security service. Second, Consolidated will offer a suite of over-the-top (“OTT”) video products that the Company will provide through a hosted service. This new OTT product will require no additional capex. Waggoner reb. pf. at 6.

Third, for commercial customers, Consolidated will offer a portfolio of cloud-based products, including a disaster recovery solution, cloud computing, Wi-Fi service, and hosted firewall service. Waggoner reb. pf. at 6–7.

In addition, Consolidated offers technologies that can improve customers’ experience with various products. Over past integrations, the Company has found that it is able to make substantial improvements in customer service and experience through offering additional software options and implementing superior operating methods than those in place prior to Consolidated’s acquisition. Such changes are important sources of benefits for customers and

efficiency gains for Consolidated, and do not require substantial, additional capital expenditures. Waggoner reb. pf. at 6.

For example, Consolidated uses “virtual hold,” which lets a customer keep their place in line but actually hang up the phone and go do something else. Tr. 05-08-17 (Waggoner) at 173-74. Consolidated has a system of automated outage notifications so that customers do not have to wait on hold to talk to an agent. The system systematically tells the customer that they are part of an affected outage and issues a ticket for them. Tr. 05-08-17 (Waggoner) at 173-74.

Consolidated also equips its technicians with technology that allows them to optimize wi-fi signaling within customer’s homes, which Consolidated has found is frequently misconstrued as a problem with the broadband pipe, but which ultimately turns out to be a weak wi-fi signal within homes. With this technology, Consolidated can optimize the wi-fi in the home, which in turn creates less repeat trouble, which means technicians are freed up to support other services such as voice services. Tr. 05-08-17 (Waggoner) at 173-74.

3. The network investment commitment made by Consolidated.

As discussed above, Consolidated has committed to a minimum level of capital reinvestment in the Vermont network over three years, which directly benefits Vermont residents.

Consolidated also plans to continue investing in the Vermont network to increase broadband availability through continuation of the CAF II deployments and investments in the next generation access equipment to increase bandwidth capacity to customers to meet the increasing bandwidth needs. Consolidated is evaluating the existing DSL deployments as well as the CAF II VDSL2+ deployments under way with FairPoint. Consolidated’s approach has been

to “cap and grow” existing lower capacity access equipment and place next generation equipment beside these deployments to enhance the bandwidth capacity. Waggoner pf. at 7.

E. There Will Be No “Cutover” At Close And Consolidated’s Transition Will Be Well Managed.

1. No “cutover” is required at close.

Consolidated will leave FairPoint’s existing customer-facing systems in place at closing, so no system cutovers are required upon implementation of the Transaction. Shultz pf. at 13. Consolidated’s inventory and assessment of FairPoint’s systems platform in northern New England demonstrated that the FairPoint business operates on a modern, state-of-the-art, platform that is well-maintained and well invested. Recent changes (additions) to FairPoint’s computing infrastructure and internal network have also contributed to Consolidated’s confidence that the current FairPoint platform can continue to successfully operate indefinitely should that be the company’s course of action. Shultz reb. pf. at 4.

The only system integration that Consolidated deems is a “must do,” is the integration of the back office, Enterprise Resource Planning (“ERP”) system. This is a priority because Consolidated is a public company, so it is critical from a finance perspective to standardize internal controls, business processes, financing, reporting, and SOX controls as quickly as possible after the acquisition. Shultz reb. pf. at 4; Tr. 05-08-17 (Childers) at 155-56. Consolidated plans to convert the FairPoint ERP functions by December 31, 2017. Smith pf. at 13.

Eventual systems integration plans will be developed after due consideration and thorough discussion between the involved vendors, suppliers, and support teams. This significantly “de-risks” the integration from all stakeholders’ perspective, in particular the

customers who rely on the company to accurately and timely provide, bill, and maintain their service. Shultz reb. pf. at 5–6.

Consolidated has a detailed process that it employs for system integration, whether it is a retail customer or a wholesale customer. Tr. 05-08-17 (Shultz) at 89-90.

Based on its past acquisitions, Consolidated typically takes 12-18 months sitting down with employees reviewing IT systems and processes to determine which is the best fit going forward. In any instance when applications are being combined and integrated for efficiency, or new service capabilities require a systems enhancement or systems integration, Consolidated will employ its Integrated Management Office (“IMO”) to provide oversight and accountability for delivering the new capabilities in a way that minimizes any negative impacts to customers. Shultz reb. pf. at 6–7.

The Department’s systems consultant wanted assurance that stress and volume testing would be done before any system cutover. Tr. 05-09-17 (Smith) at 106. Consolidated does perform stress and volume testing prior to making a system integration or cutover. Tr. 05-09-17 (Shultz) at 193. In the unlikely event that something goes wrong during a cutover, Consolidated is able to revert to the old system. Tr. 05-08-17 (Shultz) at 114.

The Department’s systems consultant also requested that system conversion be done on a state-by-state basis. Tr. 05-09-17 (Smith) at 107. Consolidated has committed to doing any system conversion consistent with its existing well-honed protocol, after extensive testing and analysis, but is reluctant to agree to any specific approach. In particular, it is concerned that doing system cutover on a state-by-state basis might actually introduce more risk. For example, if multiple states were in one single bill cycle, and Consolidated tried to segment that by state, it is concerned that it could actually be introducing more risk to customers by trying to segment

that way. Consolidated wants the flexibility to approach systems integration on a case-by-case basis, and utilizing its well-developed and methodical approach. Waggoner reb. pf. at 5-6; Tr. 05-08-17 (Waggoner) at 92.

Wholesale customer would be governed by the change management process that FairPoint has in place today. Accordingly, required notification, communication, education on what systems would impact them, will come through that change management process. Tr. 05-08-17 (Shultz) at 89-90.

2. Synergy savings will be realized company-wide.

Consolidated anticipates a net \$55M in total synergies in the first two to three years from closing, based on the pace of integration. This was developed based on analysis of FairPoint's network, IT infrastructure, and organization structure. \$10M of the total is related to network optimization, volume purchasing efficiencies and public company cost savings. \$45M represents the elimination of overlapping executive and corporate functions, and the expected efficiencies of corporate, network optimization and IT savings. The total synergy amount is over the entire combined company, not just FairPoint. Childers pf. at 11.

Consolidated expects that \$15M in savings will happen at closing. That is savings from getting down to one executive team (one CEO, one CFO), starting to shut down FairPoint's offices in Charlotte, North Carolina, and eliminating duplicate positions. Consolidated then expects to immediately start seeing savings from going to one public company; with one auditor and savings on such things as D&O coverage, Board of Director fees. Tr. 05-08-17 (Childers) at 40. Once the ERP system is converted, Consolidated expects there will be additional efficiencies on the finance side. Tr. 05-08-17 (Childers) at 41.

Consolidated will not solely look to FairPoint's employees to achieve projected personnel synergies. Instead, Consolidated will consider all opportunities for appropriate personnel reductions and related efficiency gains from across the combined company on the principle of retaining the best talent anywhere. Thus, in some instances, Consolidated will offset expenses at the legacy company level by retaining personnel and/or functions at the acquired company level. Shultz reb. pf. at 10.

Consolidated has not determined what positions will be eliminated beyond the management level. Consistent with its past acquisitions, customer facing functions, are not affected at close and at this time, Consolidated has not formulated concrete plans to affect the labor team at close. Tr. 05-08-17 (Waggoner) at 46.

Consolidated's practice, applied in its prior acquisitions, is to get in and run the new business before it makes assumptions based on preliminary reviews. At this point, Consolidated has not refined specifics as to Vermont customer-facing employees. Tr. 05-08-17 (Waggoner) at 46. Consolidated expects that within the first six months of managing the FairPoint operations, it should have clarity on how the business operates better, and thereafter make decisions about what customer-facing positions can be eliminated. Tr. 05-08-17 (Waggoner) at 46.

The layoffs FairPoint made in December 2016 did not factor into Consolidated's \$55 million synergy estimate. However, Consolidated is still evaluating how those position eliminations will impact the additional reductions it needs to make. It must also consider the current collective bargaining agreements, and seniority implications, and the rebalancing of work force. Consolidated's first focus is on the business needs – productivity, how fast it is delivering broadband, meeting service quality metrics, etc., across all of its markets. Tr. 05-08-17 (Childers) at 50-51; tr. 05-08-17 (Waggoner) at 53.

To the extent that Consolidated achieves synergies through personnel reductions in Vermont, the Company will fully abide by FairPoint's effective collective bargaining agreement with the labor unions, which governs employment levels in FairPoint's Vermont entities. Shultz reb. pf. at 12.

The current collective bargaining agreement expires in 2018, and Consolidated expects that staffing levels will be a key component of the next collective bargaining agreement that will be negotiated by Consolidated and the Labor Unions. Such matters are subject to well-established federal labor laws and are not jurisdictional to the Board. Shultz reb. pf. at 19.

While the Labor Intervenors in this proceeding questioned whether the projected synergies could be achieved, independent third party analysis found that the projected synergies are achievable. Importantly, even if Consolidated does not achieve its projected personnel synergies, that result does not preclude the company from achieving the projected synergies amount of \$55 million, and on which the proposed Transaction is premised. Shultz reb. pf. at 12.

The Department requested that Consolidated provide to the Board and the Department the following notices and information post- acquisition: 1) the synergies projections for the Vermont specific components and amounts of the plan; and 2) prior notice before the announcement to employees or any other stakeholders. Jeanson pf. at 4-5.

Consolidated has agreed to provide to the Board and the Department under seal: 1) information, once developed, of Vermont-specific synergies impact, and 2) notice before it announces any layoffs in Vermont. Shultz reb. pf. at 13.

F. This Transaction Will Improve Competition

The Transaction is likely to benefit the marketplace for communications and broadband services in Vermont by improving the capacity of the FairPoint operating entities to compete on

a more equal footing with providers of cable and wireless services. Consolidated offers an expansive suite of communications products in its existing markets, and anticipates introducing new services, such as video services, to the FairPoint markets.

G. The Petition Should Be Approved

For at least all of the reasons set forth and summarized above, the Transaction should be approved, including allowing for the pledge of assets and the change to the CPG's of the FairPoint Vermont entities. Based on the summary of the record evidence above, and as detailed in Consolidated's Proposed Findings of Fact and Draft Proposed Decision, this Transaction complies with 30 V.S.A. §§ 107, 108, 109, and 311, because the transaction will promote the public good of Vermont.

The proposed pledge of assets is consistent with the good of Vermont because by pledging the assets of the Vermont operating entities Consolidated has been able to secure the refinancing of FairPoint's existing debt on more favorable terms than without that pledge.

Good cause exists to amend the existing CPGs of FairPoint's Vermont operating entities to reflect changes in their names, as there will be no change in service and there is no contest over that issue.

IV. ALLOWING FOR A CLOSING IN JUNE 2017 IS BENEFICIAL TO THE COMBINED COMPANY AND ITS CUSTOMERS

Consolidated had targeted May 31, 2017, as its closing date for the Transaction, and now seeks to be able to close no later than June 30, 2017. Shultz pf. at 11.

Closing by the end of June is important for several reasons. First, as already discussed above, Consolidated has secured the financing for the Transaction, and accrued interest on financing commitments in the amount of approximately \$3.1M per month started accruing mid-January, 2017. Shultz pf. at 11; tr. 05-08-17 (Shultz) at 8. Second, Consolidated seeks to start to

bring new products and services to Vermont consumers and businesses, and to look at options for improving the existing network infrastructure. Shultz pf. at 11. Third, Consolidated believes there is a competitive disadvantage the more time it takes before Consolidated can initiate this transition. Shultz pf. at 11.

In addition, Consolidated respectfully submits that there is no material reason to delay the Board's approval in this matter. First, as detailed above, the other state and federal authorities reviewing this Transaction have already approved it or are expected to do so before the end of June.

Second, and most importantly, as discussed above, the Department, through its five retained expert witnesses and three internal Department experts, has thoroughly reviewed and analyzed every aspect of this Transaction. Based on that review and analysis, the Department supports this Transaction with the conditions it has recommended. Consolidated has agreed to essentially all of the conditions requested by the Department, and where it has not done so, it has solid business reasons and has offered alternative means of satisfying Department concerns. Consolidated expects, too, that it will be able to reach an agreement with the Department soon and file a Memorandum of Understanding with the Board.

V. CONCLUSION

For all of the above reasons, and for the reason's identified in FairPoint's submission in support of this Petition, Consolidated respectfully submits that the Board should approve this Transaction, adopt Consolidated's Proposed Findings of Fact and Draft Proposed Decision, and do so in time to allow for Consolidated to proceed with the planned closing on or before June 30, 2017.

DATED: May 26, 2017

RESPECTFULLY SUBMITTED

**Consolidated Communications Holdings, Inc.,
Consolidated Communications, Inc., and
Falcon Merger Sub, Inc.**

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