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FILED/ACCEPTED

FEB 21 2007

Federal Communications Commission
Office of the Secretary

February 21, 2007

BY HAND

Marlene H. Dortch, Secretary
Federal Communications Commission
Washington, DC 20554

Dear Ms. Dortch:

Pursuant to Sections 1.3 and 1.51(c) of the Commission's rules, enclosed is an original and four copies of a petition of FairPoint Communications, Inc. for waiver of Sections 61.41(b) and (c) of the Commission's rules. In this filing, Fairpoint seeks approval to operate under price cap regulation certain local exchanges to be acquired from Verizon New England, a price cap carrier, and to continue operating FairPoint's legacy exchanges under rate-of-return regulation, for interstate purposes, notwithstanding the Commission's "all-or-nothing" rule.

Please direct any questions concerning this matter to me

Very truly yours,



Karen Brinkmann
Counsel to Fairpoint Communications, Inc

cc: Albert Lewis, Acting Chief, Pricing Policy Division, Wireline Competition Bureau
Deena Shetler, Deputy Chief, Pricing Policy Division, Wireline Competition Bureau
Renee Crittendon, Chief, Competition Policy Division, Wireline Competition Bureau
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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

FILED/ACCEPTED
FEB 21 2007

Federal Communications Commission
Office of the Secretary

In the Matter of)
)
FairPoint Communications, Inc.) WC Docket No. _____
)
Petition of FairPoint Communications, Inc. for)
Waiver of Sections 61.41(b) and (c))
of the Commission's Rules)

PETITION FOR WAIVER

1. INTRODUCTION

Fairpoint Communications, Inc. ("Fairpoint") has entered into an Agreement and Plan of Merger ("Merger Agreement") with Verizon Communications Inc. ("Verizon Communications") and Northern New England Spinco Inc. ("Spinco"). Consistent with the Merger Agreement, FairPoint will acquire from Verizon New England Inc. ("Verizon New England"), NYNEX Long Distance Company ("NYNEX Long Distance"), Bell Atlantic Communications, Inc. ("BACI"), Verizon Select Services Inc. ("VSSI") (collectively, "Verizon") certain assets and customer relationships related to the provision of local exchange and exchange access services in Maine, New England, and Vermont,¹ as well as certain long-distance customer relationships in Maine, New Hampshire, and Vermont. All of FairPoint's current local exchange operations are subject to rate-of-return regulation by the Commission. Fairpoint seeks a waiver of the "all-or-nothing" price cap rule set forth at 47 C.F.R. §§ 61.41(b) and (c) so that FairPoint may continue to operate the Exchanges under price cap regulation after acquiring them from Verizon, without converting FairPoint's existing rate-of-return exchanges to price cap regulation,

¹ A list of the affected exchanges is attached as Exhibit A (the "Exchanges").

Granting this Petition will raise no new issues of law, is supported by Commission precedent, and will serve the public interest. Therefore, FairPoint respectfully requests that the Commission expeditiously review this Petition and grant the waiver requested herein.’

11. BACKGROUND

The proposed transaction involves a series of *pro forma* internal transactions within Verizon, followed by a *pro rata* distribution of the common stock of Spinco to Verizon Communications’ shareholders. Immediately after this distribution, Spinco will merge with and into Fairpoint, resulting in a transfer of control of Spinco’s subsidiaries. First, Verizon New England will transfer the local exchange assets, and local and long-distance customer relationships, related to its Maine, New Hampshire, and Vermont operations to Northern New England Telephone Operations Inc. (“Telco”). After several *pro forma* steps, Telco will be a wholly-owned subsidiary of Spinco, which is an intermediate holding company wholly owned by Verizon Communications. In addition, NYNEX Long Distance, BACI, and VSSI, through a series of *pro forma* steps, will transfer certain long-distance customer relationships in the same three states to Enhanced Communications of Northern New England Inc. (“Newco”), another wholly-owned subsidiary of Spinco. Verizon Communications will then distribute the stock of Spinco directly to its shareholders, such that Spinco, Telco, and Newco will no longer be subsidiaries of Verizon Communications.

²

Fairpoint and the other parties to the merger have filed separate applications seeking Commission approval of the full or partial assignment of certain authorizations in connection with the transfer of the affected assets and customer relationships to Fairpoint, including certain domestic and international section 214 authorizations, and shortly will be filing applications seeking approval of the full or partial assignment of various Title III licenses associated with the Exchanges.

Immediately following the above-described distribution of the Spinco stock to the Verizon Communications shareholders. Spinco will be merged with and into Fairpoint, which will continue as the surviving entity. As a result of this merger, Telco and Newco will become wholly-owned subsidiaries of Fairpoint. Current Fairpoint management will continue to manage Fairpoint and control the day-to-day operations of Fairpoint's operating subsidiaries following consummation of the proposed transaction. After completing this transaction, FairPoint will continue to offer customers in the Exchanges the basic local exchange and long-distance services that Verizon currently provides.'

Fairpoint, which is headquartered in Charlotte, North Carolina, is a leading provider of integrated communications services to rural and small urban areas. Fairpoint, through its local exchange carrier operating facilities, provides wireline local exchange service to approximately 308,000 access line equivalents (as of September 30, 2006) in eighteen states, including approximately 64,000 access lines in Maine, New Hampshire, and Vermont. FairPoint utilizes state-of-the-art technology to provide a variety of high-quality communications services, including local and long-distance voice and data services and high-speed broadband communications. Fairpoint's broadband availability is among the highest in the industry. All of Fairpoint's current incumbent telephone operating companies qualify as rural telephone companies under the Act.⁴ This acquisition will help to expand Fairpoint's coverage and bring to the customers in the Exchanges Fairpoint's expertise in serving rural and small urban areas.

Verizon New England provides local exchange service and exchange access service to approximately 1.5 million access lines in 352 exchanges in Maine, New Hampshire

A diagram of the proposed transaction is attached as Exhibit B.

⁴ 47 U.S.C. § 153(37).

and Vermont. None of the local exchanges being acquired by Fairpoint from Verizon New England overlap with any of the local exchanges already served by Fairpoint. As a result of this transaction, Fairpoint will expand its service area and will be able to serve the rural and small urban areas currently served by Verizon in Maine, Vermont, and New Hampshire. FairPoint will remain a midsize company after the closing.’

III. THERE IS GOOD CAUSE FOR THE COMMISSION TO WAIVE ITS PRICE CAP ALL-OR-NOTHING RULE.

Section 61.41(c)(2) of the Commission’s rules provides that when a non-price cap company acquires a price cap company, or any part thereof, the acquiring company shall become subject to price cap regulation, and must file price cap tariffs within a year of the closing of the transaction.⁶ Section 61.41(b) provides, similarly, that when any one of a group of affiliated telephone companies files a price cap tariff in one study area, all of that company’s affiliates (except its average schedule affiliates) must file price cap tariffs in all of their study areas.’ These rules make up what is commonly known as the price cap “all-or-nothing” rule. Applying the all-or-nothing rule in this case would subject all of FairPoint’s legacy exchanges to price cap regulation merely because Verizon New England is a mandatory price cap company. Such a result would not serve the purpose for which the rule was intended.

Fairpoint plans to operate the newly acquired Exchanges under price cap regulation, but seeks a waiver of the all-or-nothing rule to the extent that the rule would subject

⁵ See 47 C.F.R. § 32.9000

⁶ Under the Commission’s rules, when a merger or acquisition causes a telephone company price cap regulated (such as Telco) to become affiliated with a telephone company not subject to price cap regulation (such as FairPoint’s other local exchange operating subsidiaries), the latter shall become subject to price cap regulation no later than one year following the effective date of the merger or acquisition, absent a waiver from the Commission. See 47 C.F.R. § 61.41(c)(2).

⁷ 47 C.F.R. § 61.41(b)

FairPoint's existing study areas to price cap regulation. Applying the all-or-nothing rule in this case would not serve any of the purposes for which the rule was adopted and would conflict with the public interest. The requested relief will enable FairPoint to begin providing customers in the Exchanges with local voice, Internet, broadband, long-distance, and other services, and will enable FairPoint to continue providing telecommunications services to FairPoint's current customers in Maine, New Hampshire, and Vermont, without any disruption

A. ENFORCEMENT OF THE ALL-OR-NOTHING RULE IN THIS CASE WOULD NOT SERVE THE PURPOSE FOR WHICH THE RULE WAS ADOPTED.

The Commission adopted the all-or-nothing rule to remove any incentive for a telephone holding company to engage in improper cost-shifting among affiliates, or to “game the system” by switching between rate-of-return and price cap regulation.’ Without the all-or-nothing rule, it was feared a LEC might be able to shift costs from its price cap affiliate to its rate-of-return affiliate. Because the rate-of-return affiliate’s costs would be higher, the Commission reasoned, it would earn more revenue and charge higher rates, while the revenue of the price cap affiliate would remain unaffected. In addition, the Commission was concerned that, if allowed to convert between price caps and rate-of-return regulation, a LEC might build up a large rate base under rate-of-return regulation and then revert to price caps, cutting its costs to more efficient levels and reaping the profits without appropriate price reductions. However, in

⁸ *Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCC Rcd 6786, 6819 (1990) (“*LEC Price Cap Order*”), Erratum, 5 FCC Rcd 7664 (Com. Car. Bur. 1990), *modified on recon.*, Order on Reconsideration, 6 FCC Rcd 2637 (1991) (“*LEC Price Cap Reconsideration Order*”), *aff’d sub nom. National Rural Telecom Ass’n v. FCC*, 988 F.2d 174 (D.C. Cir. 1993), *petitions for further recon. dismissed*, 6 FCC Rcd 7482 (1991), *further modification on recon.*, *Amendments to Part 69 of the Commission’s Rules Relating to the Creation of Access Charge Subelements for Open Network Architecture. Policy and Rules Concern Rates for Dominant Carriers*, Report and Order and Order on Further Reconsideration and Supplemental Notice of Proposed Rulemaking, 6 FCC Rcd 4524 (1991), *further recon.*, Memorandum Opinion and Order on Second Further Reconsideration, 7 FCC Rcd 5235 (1992).

adopting the all-or-nothing rule. the Commission noted that it would entertain waivers of the rule in the transaction contest because the efficiencies created by the purchase and sale of exchanges may outweigh the threat of “gaming the system.”⁹

There is good cause to grant Fairpoint a waiver of the all-or-nothing rule. Neither of the two concerns cited by the Commission applies here. First, cost-shifting is not an issue. This is an arms’ length transaction: Verizon and Fairpoint are not (and have no plans to become) affiliates. Any potential concerns about cost shifting among FairPoint study areas also are not relevant in this case. The price cap operating company, Telco, will be an indirect sister subsidiary of FairPoint’s rate-of-return operating companies. State and federal tariff processes and the Commission’s cost accounting rules will prevent cost shifting among study areas, or make it easily detectable by federal and state regulators, access customers, and competitors.

Second, the kind of “gaming” that concerned the Commission when it adopted the all-or-nothing rule is not at issue here because of the Commission’s “one-way door” rule. Fairpoint does not intend to convert any of the Exchanges from price caps to rate-of-return regulation. If it wants to do so in the future, Fairpoint must make a one-way election, effectively precluding any gaming. Under Section 61.41(d) of the Commission’s rules, LECs that become subject to price cap regulation may make a one-time election to withdraw from such regulation, but could not re-elect price cap regulation for at least five years, absent a waiver from the Commission.” Thus, Commission approval would be required before FairPoint could convert

LEC Price Cap Reconsideration Order, 6 FCC Rcd at 2706 n.207.

¹⁰ 47 C.F.R. § 61.41(d).

the Exchanges from rate-of-return back to price cap regulation any sooner, giving the Commission ample opportunity to review any such proposed change at that time."

B. COMMISSION PRECEDENT SUPPORTS GRANT OF THE REQUESTED WAIVER.

Just as the Commission has consistently declined to mandate that small and medium rate-of-return carriers convert to price cap regulation, the Commission also should not require FairPoint to convert all its legacy exchanges to price cap regulation simply because of this transaction. The Commission has never required price cap regulation for properties as small and rural as most of FairPoint's are, and there is no justification for changing that policy at this time.

In considering waiver requests in the context of acquisitions by rate-of-return carriers similar to FairPoint, the Commission has previously acknowledged that existing rate-of-return exchanges should not be subject to price cap regulation because midsize and smaller rural providers lack the economies of scale and scope of the large ILECs.¹² The overwhelming majority of these exchanges are in low-density, rural areas. The Commission has determined

¹¹ *Multi-Association Group (MAC) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service, Report and Order and Second Further Notice of Proposed Rulemaking*, 19 FCC Rcd 4122,4129 (2004) ("MAG Second Further Notice").

¹² *See, e.g., CenturyTel of Northwest Arkansas, LLC, CenturyTel of Central Arkansas, LLC and GTE Arkansas Inc., GTE Midwest Inc., GTE Southwest, Inc. Joint Petition for Waiver of Definition of "Study Area" Contained in the Part 36 Appendix - Glossary of the Commission's Rules, CenturyTel of Northwest Arkansas, LLC and CenturyTel of Central Arkansas, LLC, Petition for Waiver of Sections 61.41(c) and 69.3(g)(2) of the Commission's Rules*, Memorandum Opinion and Order, DA 00-1434 (rel. June 27, 2000) ("Northwest Arkansas Order.") (finding that CenturyTel's smaller size, combined with its specialization in serving rural markets and small towns, merit a waiver from mandatory price caps required for larger LECs); *CenturyTel of Central Wisconsin, LLC and GTE North Inc. Joint Petition for Waiver of Definition of "Study Area" Contained in the Appendix to Part 36 of the Commission's Rules - Glossary of the Commission's Rules, CenturyTel of Central Wisconsin, LLC Petition for Waiver of Sections 61.41(c) and 69.3(g)(2) of the Commission's Rules*, Memorandum Opinion and Order, 15 FCC Rcd 15043, 15049 (2000) (ruling that because CenturyTel is "significantly smaller" than carriers subject to mandatory price caps, special circumstances support waiver of the all-or-nothing rule).

that it would be inappropriate to subject this type of small carrier to price cap regulation.”

Furthermore, the Commission has always been sensitive to the administrative burdens imposed by the application of its rules to small and midsize telephone companies.“

Price cap regulation was adopted as an incentive to encourage efficiencies and promote competitiveness, but it is mandatory only for the largest telephone companies that share similarities that support the use of price cap regulation – large subscriber bases, high-activity levels in both regulated and unregulated markets, and access to national markets. In its *LEC Price Cap Order*, the Commission recognized that small telephone companies should not be forced into a regulatory regime that was based on the historical performance of the largest telephone companies, and it therefore made price cap regulation optional for midsize and small telephone companies.”

FairPoint today serves mostly rural areas and small urban areas that are widely dispersed geographically. The majority of the communities FairPoint serves have fewer than 2,500 access lines. Price cap regulation of FairPoint’s rate-of-return companies would not be appropriate because those companies serve small, dispersed geographic markets and face varied

¹³ See, e.g., *ALLTEL Corp., Petition for Waiver of Section 61.41 of the Commission’s Rules and Applications for Transfer of Control*, Memorandum Opinion and Order, 14 FCC Rcd **14191, 14204** (“*ALLTEL/Aliant Merger Order*”) (granting price cap waiver in spite of the fact that ALLTEL was a “mid-sized LEC because “ALLTEL’s properties are scattered largely in small to mid-sized towns and cities in 22 states and ALLTEL is, therefore, unlike any of the large BOCs, and more similar to smaller carriers”); *Petition for Waivers Filed by Northland Telephone Company d/b/a PTI Communications, Inc. and U S West Communications, Inc. Concerning Sections 61.41(e)(2), 69.3(e)(6) and the Definition of “Study Area” Contained in the Part 36 Appendix-Glossary of the Commission’s Rules*, Memorandum Opinion and Order, 19 FCC Rcd 13329, **13335** (“Northland is the type of mid-size ILEC which the Commission has found to be an inappropriate candidate for price cap regulation.”).

¹⁴ See *ALLTEL/Aliant Merger Order*, 14 FCC Rcd at 14204 (“[T]he Commission has always been sensitive to the special needs of the small LECs.”).

¹⁵ See *LEC Price Cap Order*, 5 FCC Rcd at 6818.

market conditions." Moreover, in balancing the benefits to be gained under price cap regulation against the costs that would be incurred by FairPoint, the public interest is better served by granting the requested waiver. The Commission has consistently granted waivers of the all-or-nothing rule to small and midsize carriers," recognizing that it "must take into account the companies' preference."¹⁸ FairPoint's strong preference at this time is to continue operating its legacy exchanges under rate-of-return regulation.

The Commission is currently examining alternatives and modifications to the current all-or-nothing rule as it relates to the ability of rate-of-return carriers to adopt alternative regulation plans for selected study areas.¹⁹ Until an appropriate system of regulation can be

¹⁶ See *Northwest Arkansas Order*, DA 00-1434, ¶ 22.

¹⁷ See, e.g., *In the Matter of Valor Communications Group, Inc. (New Valor), Petition for Waiver*, Order, DA 06-240 (rel. Jan. 31, 2006) (finding that the public interest is served by enabling smaller carriers to purchase exchanges): *In the Matter of Nemont Telephone Cooperative, Inc. Missouri Valley Communications, Inc. Reservation Telephone Cooperative and Citizens Telecommunications Company of North Dakota; Joint Petition for Waiver of the Study Area Boundary Freeze Codified in the Part 36, Appendix-Glossary of the Commission's Rules; Petition for Waiver of Sections 61.41(c)(2), 69.3(e)(11) and 69.605(c) of the Commission's Rules*, Order, 18 FCC Rcd 838 (2003) (ruling that the subject small acquiring carriers are "inappropriate candidates" for price cap regulation, thus presenting special circumstances to support the waiver request): *Kendall/Wisconsin Study Area Order*, CC Docket No. 96-15; *Waivers Filed by Columbine Telephone Company, Inc., Silver Star Telephone Company, Inc., and U S West Communications, Inc. Concerning Section 61.41(c)(2) and 69.3(e)(11) and the Definition of "StudyArea" Contained in the Part 36 Appendix-Glossary of the Commission's Rules*, Memorandum Opinion and Order, 12 FCC Rcd 3622 (1997) (granting a waiver of the all-or-nothing rule): *U S West Communicationr, Inc. and Eagle Telecommunications, Inc., Joint Petition for Waiver of the Definition of "StudyArea" Contained in Part 36, Appendix-Glossary of the Commission's Rules and Eagle Telecommunications, Inc. Petition for Waiver of Section 61.41(c) of the Commission's Rules*, Memorandum Opinion and Order, 10 FCC Rcd 1771, 1775 (1995).

¹⁸ *The Island Telephone Company, Telephone and Data Systems, Inc., and Contel of Maine, Inc. Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary, of the Commission's Rules; Petition for Waiver of Sections 61.41(c) and 69.3(e)(11), and Temporary Waiver of Section 69.605, of the Commission's Rules*, Memorandum Opinion and Order, 7 FCC Rcd 6382, 6383 (1992); see also *ALLTEL/Aliant Merger Order*, 14 FCC Rcd 14191, 14204-05 ("In previous waiver requests, the Common Carrier Bureau has taken into account the company's preference and in particular the preference of small carriers for waivers of sections 61.41(c)(1), (2), and (d) of our rules.").

¹⁹ See *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service*, Report and Order and Second Further Notice of Proposed Rulemaking, 19 FCC Rcd 4122 (2004) ("MAG Second Further Notice"). The Commission has ordered that all outstanding waivers of the all-or-nothing rule shall continue in effect until a final order is issued. *Id.* at 4129 n.40.

identified for midsize and smaller carriers such as FairPoint,²⁰ the public interest would not be served by forcing FairPoint to modify the current system of regulation for its rate-of-return study areas.

C. THE PROPOSED WAIVER WILL SERVE THE PUBLIC INTEREST.

There are a number of public interest benefits that stem from the continued operation of the newly acquired Exchanges under price cap regulation. It also is in the public interest to allow Fairpoint to continue its current telephone company operations under rate-of-return regulation.

First, continued operation of the Exchanges under the price cap rules will enhance rate stability and consumer welfare because customers will know that, overall, interstate prices will not exceed prescribed levels.²¹ Second, continued operation of the Exchanges under price cap regulation will ensure that consumers benefit from the universal service support that Verizon currently receives for the Exchanges. Third, allowing Fairpoint to operate the Exchanges under price cap regulation will not adversely affect the universal service fund because support for the lines already has been allocated. Fourth, allowing the FairPoint legacy exchanges to remain under rate-of-return regulation will ensure adequate universal services support for those exchanges as well. In contrast, if the Commission were to require Fairpoint to convert all of its legacy exchanges to price cap regulation, current universal service support under the *CALLS*

²⁰ The *MAG Second Further Notice* tentatively concludes that an alternative regulation plan would be optional for the rate-of-return carrier and the rate-of-return carrier could elect participation in the alternative plan by study area, not by all-or-nothing regulation. *Id.* at 4161

²¹ *Access Charge Reform. Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long-Distance Users, Federal-State Joint Board on Universal Service*, Sixth Report and Order, Report and Order, Eleventh Report and Order, 15 FCC Rcd 12962, 13037 (2000) (“*CALLS Order*.”) (stating that rate chum and customer confusion are avoided when a price cap LEC sells a filing entity or portion of a filing entity to another price cap LEC, the sold entity would retain its pre-existing target rate).

Order would be insufficient. The Commission derived the size of that fund based on the number of access lines operated by price cap carriers at the time the order was adopted. To include FairPoint’s legacy exchanges in that fund now would disrupt the current support system, which is capped at \$650 million,” rendering that support unpredictable and insufficient.”

The transfer of the Exchanges to Fairpoint will provide customers within the Exchanges with access to additional services. Fairpoint will contribute its broadband expertise and business efficiency to maintain and advance high-quality telecommunications and information services to customers in northern New England. As a service provider that provides high-quality service to rural and small urban areas in eighteen states, FairPoint has developed expertise in network operations, management, and customer service that makes it uniquely well-suited to serving the Exchanges. Maintaining price cap regulation for the new Exchanges, while still permitting the existing companies to be regulated under rate-of-return regulation, is imperative to maintaining rate stability and ensuring a smooth transition from Verizon to Fairpoint.

IV. CONCLUSION

In sum, waiver of the all-or-nothing rule in this instance poses no threat to the Commission’s rate regulation or public interest goals, and will allow the sale of these Exchanges to be consummated without disrupting service to any consumers or forcing FairPoint’s other exchanges into an inappropriate system of price regulation. Fairpoint requests that the

²² 47 C.F.R. § 54.801(a).

²³ *CALLS Order*, 15 FCC Rcd at 12977 (stating “[c]ertainly there is no guarantee that, at the end of the CALLS Proposal’s five-year term, competition will exist to such a degree that deregulation of access charges for price cap LECs is the next logical step. Nevertheless, the CALLS Proposal provides stability during its term and addresses several issues that have served as major obstacles to access charge reform and universal service.”).

Commission grant a waiver of Section 61.41(c)(2) to allow the continued operation of FairPoint's existing exchanges as rate-of-return companies, and Section 61.41(b) so FairPoint may file a price cap tariff only for the Exchanges, effective upon the closing. Further, FairPoint respectfully requests that the requested waiver be expeditiously granted so that the parties can close the transaction during the fourth quarter of 2007,

Respectfully submitted,



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February 21, 2007

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**Verizon New England
Maine - New Hampshire - Vermont Exchange List
(FairPoint Petition for §61.41 Waiver -- Exhibit A)**

ME Exchanges	
1	Acton Locality
2	Ashland
3	Augusta
4	Bangor
5	Bar Harbor
6	Bath
7	Belfast
8	Belgrade
9	Berwick Locality
10	Biddeford
11	Bingham
12	Blue Hill
13	Boothbay Harbor
14	Bowdoinham
15	Bradford
16	Bridgton
17	Brownville
18	Brunswick
19	Bucksport
20	Calais
21	Camden
22	Caribou
23	Castine
24	Clinton
25	Columbia
26	Corinth
27	Cornish
28	Cumberland
29	Danforth
30	Dark Harbor
31	Deer Isle
32	Dexter
33	Dixfield
34	Dover-Foxcroft
35	East Millinocket
36	Easton
37	Eastport
38	Eddington
39	Eliot Locality
40	Ellsworth
41	Fairfield
42	Farmington
43	Fort Fairfield

NH Exchanges	
1	Alstead
2	Ashland
3	Barrington
4	Bartlett
5	Bedford
6	Belmont
7	Berlin
8	Bethlehem
9	Bristol
10	Campton
11	Canaan
12	Candia
13	(Canterbury
14	Center Harbor
15	Center Ossipee
16	Center Sandwich
17	Charlestown
18	Claremont
19	Colebrook
20	Concord
21	Conway
22	Danbury
23	Deerfield
24	Derry
25	Dover
26	Dublin
27	Durham
28	Enfield
29	Epping
30	Epsom
31	Errol
32	Exeter
33	Farmington
34	Fitzwilliam
35	Franconia
36	Franklin
37	Goffstown
38	Gorham
39	Greenfield
40	Greenville
41	Groveton
42	Hampstead
43	Hampton

VT Exchanges	
1	Albany
2	Arlington
3	Barnet
4	Barre
5	Barton
6	(Bellows Falls
7	Bennington
8	Bethel
9	Bloomfield Locality
10	Bradford
11	Brandon
12	Brattleboro
13	Brookfield
14	Burlington
15	Canaan Locality
16	(Castleton
17	Chelsea
18	Concord
19	Craftsbury
20	Danville
21	(Derby
22	Derby Line
23	Dorset
24	East Calais
25	East Fairfield
26	Enosburg Falls
27	Essex Junction
28	Fairfax
29	(Fair Haven
30	Fairlee
31	Grand Isle
32	Greensboro
33	Guildhall Locality
34	(Hardwick
35	(Island Pond
36	(Jacksonville
37	Jamaica
38	Jeffersonville
39	Johnson
40	Lemington Locality
41	Lunenburg
42	Lyndonville
43	(Maidstone Locality

Verizon New England

Maine - New Hampshire - Vermont Exchange List

(FairPoint Petition for \$61.41 Waiver -- Exhibit A)

ME Exchanges	
44	Franklin
45	Freeport
46	Frenchville
47	Gardiner
48	Goodwin's Mills
49	Gorham
50	Grand Isle
51	Greenville
52	Guilford
53	Harpswell
54	Harrison
55	Hermon
56	Houlton
57	Jackman
58	Jonesport
59	Kennebunk
60	Kennebunkport
61	Kittery Locality
62	Lebanon
63	Lewiston
64	Limerick
65	Limestone
66	Lincoln
67	Lisbon Falls
68	Livermore Falls
69	Lubec
70	Machias
71	Madawaska
72	Madison
73	Mars Hill
74	Mechanic Falls
75	Milbridge
76	Millinocket
77	Milo
78	Monroe
79	Monson
80	New Sweden
81	Newport
82	North Berwick
83	North Whitefield
84	Northeast Harbor
85	Norway
86	Oakland

NH Exchanges	
44	Hancock
45	Hanover
46	Harrisville
47	Hinsdale
48	Jackson
49	Jaffrey
50	Jefferson
51	Keene
52	Kingston
53	Laconia
54	Lancaster
55	Lebanon
56	Lisbon
57	Littleton
58	Lyme
59	Madison
60	Manchester
61	Marlborough
62	Marlow
63	Meredith
64	Merrimack
65	Milan
66	Milford
67	Milton
68	Milton Mills
69	Monroe Locality
70	Nashua
71	New Boston
72	Newmarket
73	Newport
74	North Conway
75	North Stratford
76	North Walpole Locality
77	North Woodstock
78	Northwood
79	Orford Locality
80	Pelham
81	Penacook
82	Peterborough
83	Piermont Locality
84	Pike
85	Pittsburg
86	Pittsfield

VT Exchanges	
44	Manchester
45	Middlebury
46	Milton
47	Montpelier
48	Morgan
49	Morrisville
50	Newbury
51	Newfane
52	Newport
53	North Troy
54	Norton
55	Norwich Locality
56	Orleans
57	Pittsfield
58	Pittsford
59	Plainfield
60	Poultney
61	Pownal
62	Proctor
63	Putney
64	Randolph
65	Reading
66	Readsboro
67	Richford
68	Rochester
69	Rupert
70	Rutland
71	St. Albans
72	St. Johnsbury
73	Salisbury
74	South Londonderry
75	South Royalton
76	South Strafford
77	Stamford Locality
78	Stowe
79	Swanton
80	Thetford Locality
81	Troy
82	Tunbridge
83	Underhill
84	Vergennes
85	Wardsboro
86	Washington

**Verizon New England
Maine - New Hampshire - Vermont Exchange List
(FairPoint Petition for §61.41 Waiver -- Exhibit A)**

ME Exchanges	
87	Old Orchard Beach
88	Old Town
89	Orono
90	Orrington
91	Oxford
92	Pembroke
93	Pittsfield
94	Portland
95	Pownal
96	Presque Isle
97	Princeton
98	Rangeley
99	Readfield
100	Richmond
101	Rockland
102	Rockwood
103	Rumford
104	Sabattus
105	Sanford
106	Scarborough
107	Searsport
108	Sedgwick
109	Skowhegan
110	South Berwick
111	South Lebanon Locality
112	Southwest Harbor
113	Sullivan
114	Tenants Harbor
115	The Forks
116	Thomaston
117	Van Buren
118	Vanceboro
119	Vinal Haven
120	Waldoboro
121	Washburn
122	Waterville
123	Wells
124	West Lebanon Locality
125	Westbrook
126	Wilson's Mills Locality
127	Wilton
128	Windham
129	Winter Harbor

NH Exchanges	
87	Plainfield Locality
88	Plaistow
89	Plymouth
90	Portsmouth
91	Raymond
92	Rindge
93	Rochester
94	Rumney
95	Rye Beach
96	Salem
97	Sanbornville
98	Seabrook
99	Somersworth
100	South Hampton Locality
101	Spofford
102	Sullivan
103	Sunapee
104	Suncook
105	Tamworth
106	Tilton
107	Troy
108	Twin Mountain
109	Walpole
110	Warren
111	West Chesterfield Locality
112	West Lebanon Locality
113	West Stewartstown
114	Westmoreland
115	Whitefield
116	Winchester
117	Wolfeboro
118	Woodsville

VT Exchanges	
87	Waterbury
88	Weathersfield
89	Wells
90	Wells River Locality
91	West Burke
92	Westminster Locality
93	West Rutland
94	White River Junction
95	Williamstown
96	Williamsville
97	Wilmington
98	Windsor
99	Woodstock

Maine - New Hampshire - Vermont Exchange List

(FairPoint Petition for §61.41 Waiver -- Exhibit A)

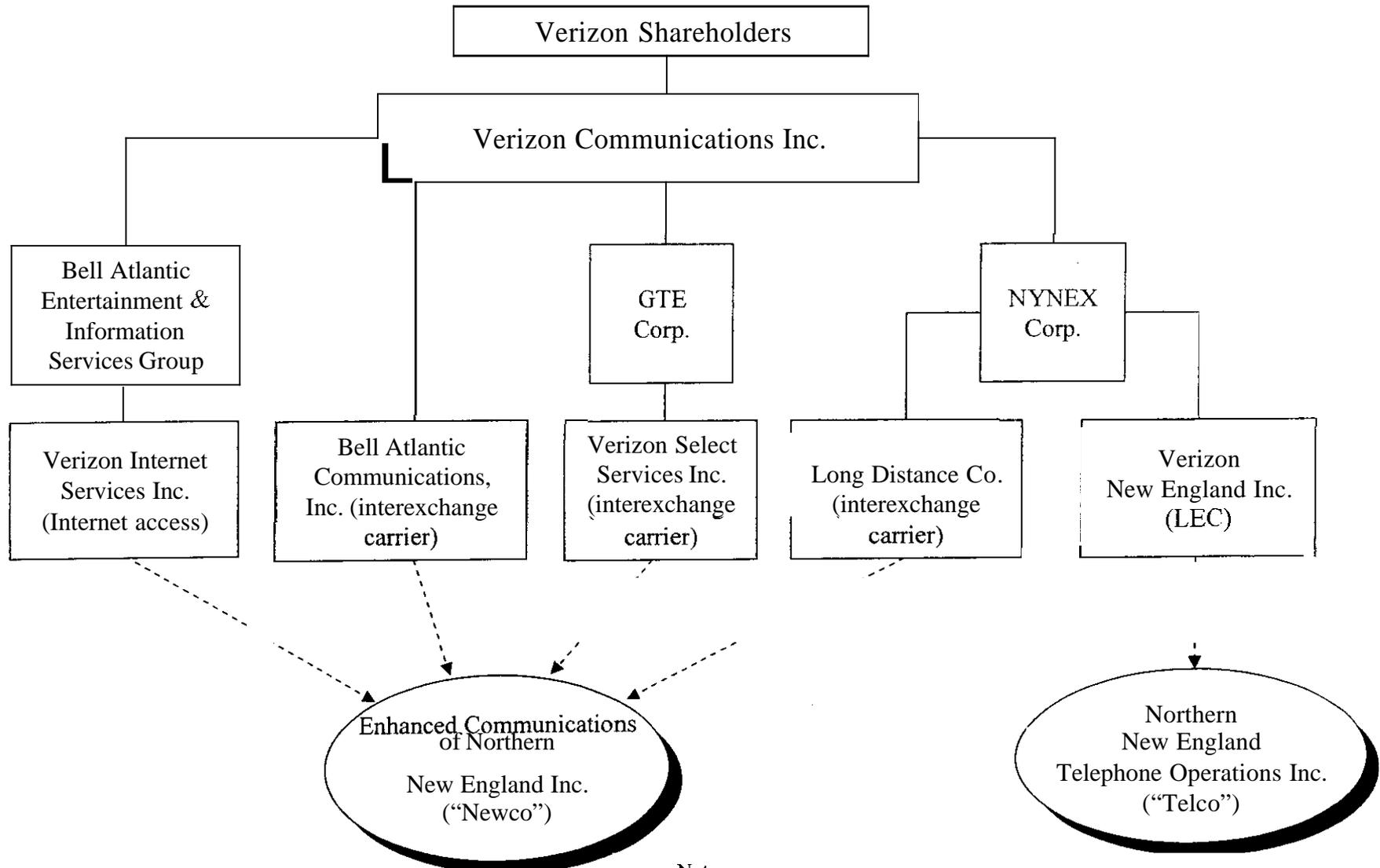
ME Exchanges	
130	Winterport
131	Wiscasset
132	Woodland
133	Wytovitlock
174	Yarmouth
135	York

NH Exchanges

VT Exchanges

FairPoint Petition for Waiver -- Exhibit B

Transferor's Pre-Merger Corporate Structure

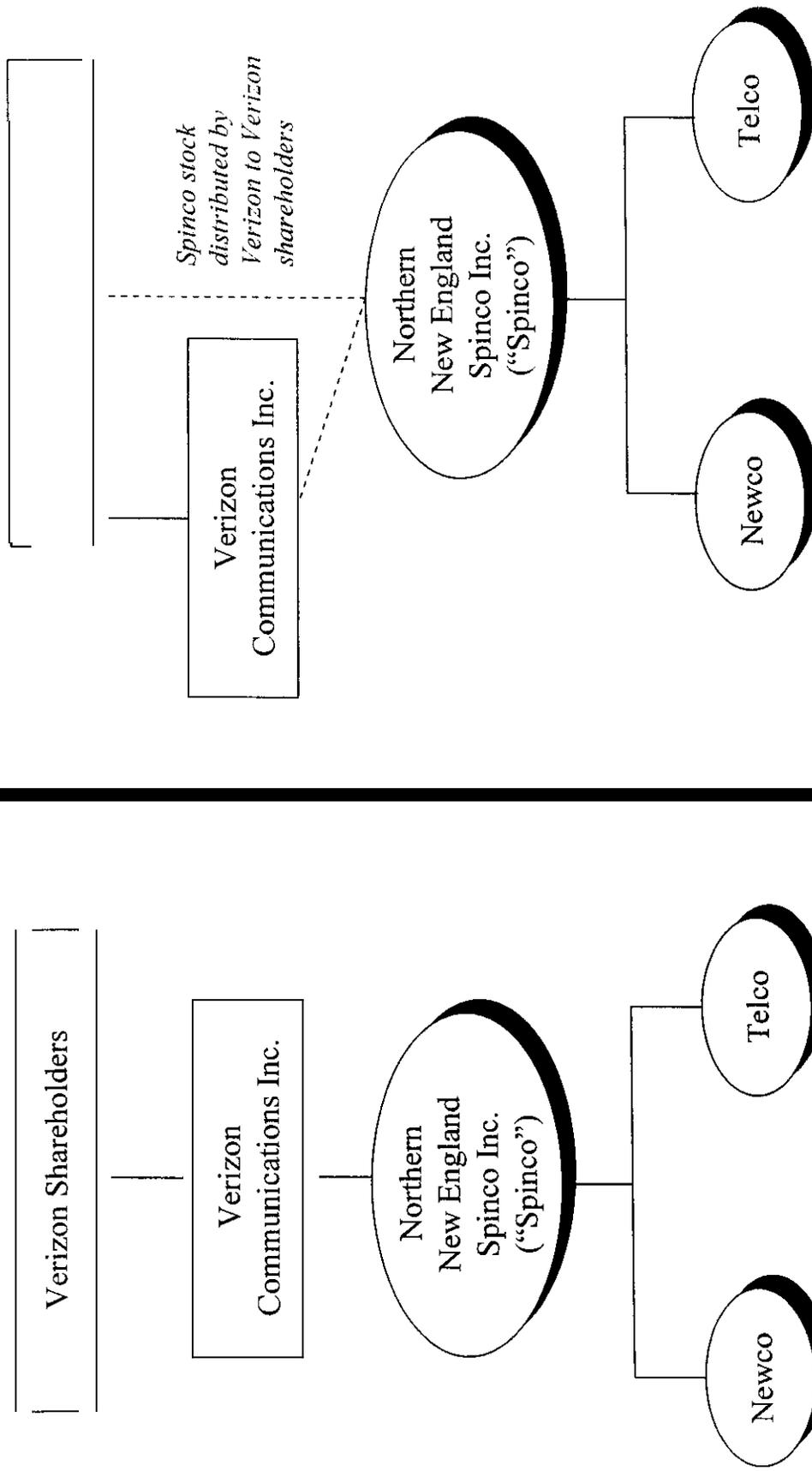


Note:

Verizon Communications directly owns more than 92% of GTE Corp., and indirectly owns the remainder. All other ownership interests depicted are 100%.

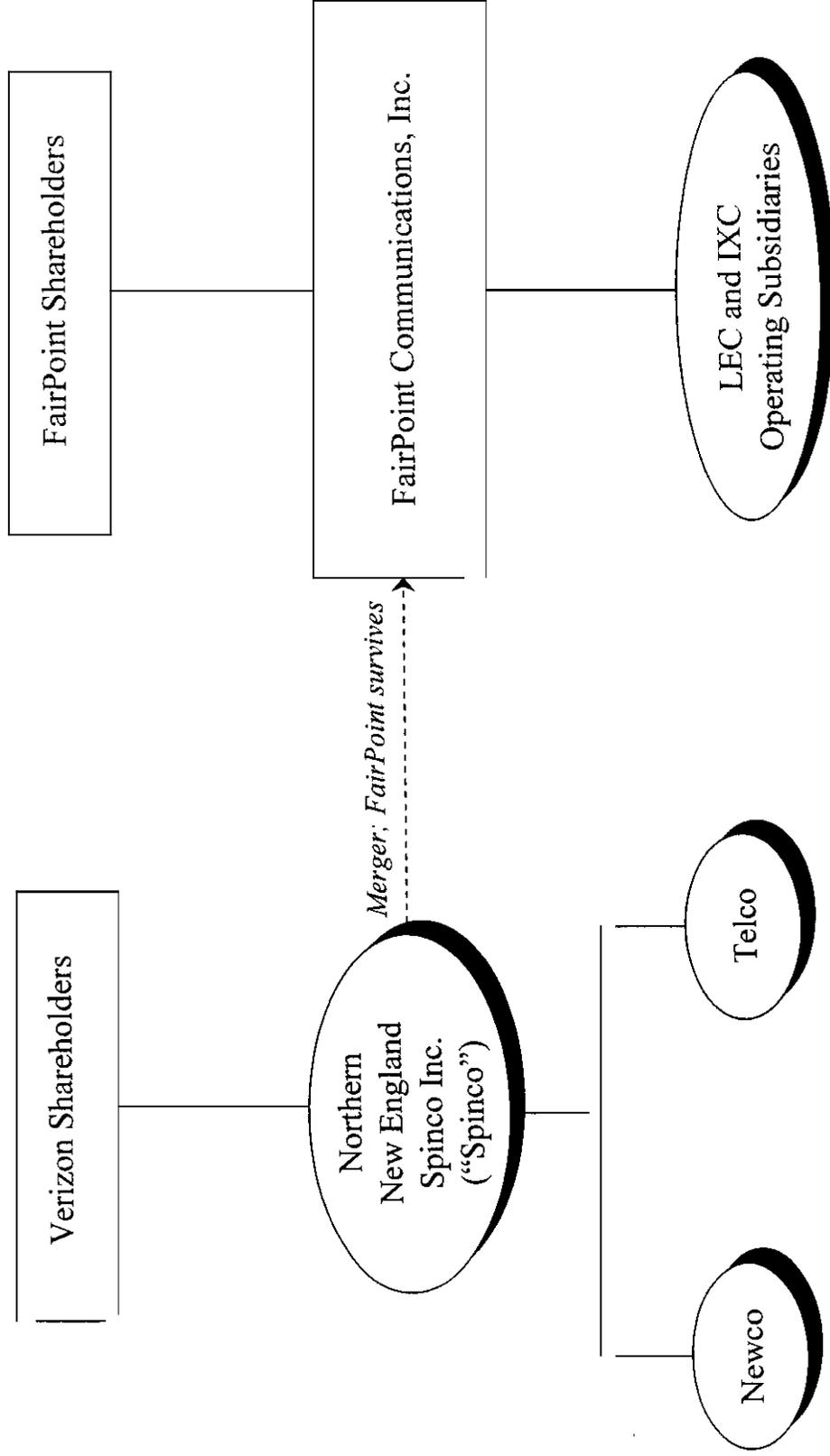
FairPoint Petition for Waiver -- Exhibit B

Creation and Spin-Off of Spinco



FairPoint Petition for Waiver -- Exhibit B

Merger of Spinco and Transferee



FairPoint Petition for Waiver -- Exhibit B
Transferee's Post-Transaction Corporate Structure

