

SHAREHOLDER APPROVAL



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FAIRPOINT STOCKHOLDERS APPROVE ACQUISITION OF VERIZON'S WIRELINE OPERATIONS IN MAINE, NEW HAMPSHIRE AND VERMONT

CHARLOTTE, N.C. (August 22, 2007) – FairPoint Communications, Inc. (**NYSE: FRP**) ("FairPoint" or the "Company"), a leading provider of communications services to rural and small urban communities across the country, announced that at its annual meeting of stockholders held today stockholders voted to adopt the merger agreement pursuant to which FairPoint has agreed to acquire Verizon Communications Inc.'s landline operations in Maine, Vermont and New Hampshire (the "Merger Agreement") and approve the issuance of FairPoint common stock to the Verizon shareholders pursuant to the Merger Agreement.

FairPoint's stockholders also re-elected David L. Hauser to a second three-year term on the Company's Board of Directors and ratified KPMG LLP as FairPoint's independent registered public accounting firm for the fiscal year ending December 31, 2007.

Commenting on today's meeting, Gene Johnson, Chairman and Chief Executive Officer of FairPoint, stated, "I am pleased that of those stockholders that voted, they overwhelmingly approved the transaction. We believe the acquisition of Verizon's northern New England landline operations will create shareholder value as well as provide a catalyst for future growth. We also are convinced that our new and existing customers will benefit from expanded and enhanced communications service offerings, such as broadband. We look forward to successfully integrating Verizon's operations, leveraging the strength of our management team. In this regard, I am particularly encouraged by the significant amount of integration progress and investment we have already made."

About FairPoint

FairPoint is a leading provider of communications services to rural and small urban communities across the country. Incorporated in 1991, FairPoint's mission is to acquire and operate telecommunications companies that set the standard of excellence for the delivery of service to rural and small urban communities. Today, FairPoint owns and operates 30 local exchange companies located in 18 states offering an array of services, including local and long distance voice, data, Internet and broadband offerings. FairPoint is traded on the New York Stock Exchange under the symbol "FRP".

This press release may contain forward-looking statements by FairPoint that are not based on historical fact, including, without limitation, statements containing the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions and statements related to potential cost savings and synergies expected to be realized in the merger. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements. Such factors include those risks described from time to time in FairPoint's filings with the Securities and Exchange Commission ("SEC"), including, without limitation, the risks described in FairPoint's most recent Annual Report on Form 10-K on file with the SEC. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. All information is current as of the date this press release is issued, and FairPoint undertakes no duty to update this information. Source: FairPoint Communications, Inc., www.fairpoint.com.

FairPoint has filed, and the SEC has declared effective, a registration statement in connection with the proposed merger. FairPoint urges investors to read these documents and other materials filed and to be filed by FairPoint relating to the proposed merger because they contain and will contain important information. Investors can obtain copies of the registration statement, as well as other filed documents containing information about FairPoint and the proposed merger, at www.sec.gov, the SEC's website. Investors may also obtain free copies of these documents and FairPoint's other SEC filings at www.fairpoint.com under the Investor Relations section, or by written request to FairPoint Communications, Inc., 521 E. Morehead Street, Suite 250, Charlotte, NC 28202, Attention: Investor Relations.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

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**MAINE PUBLIC UTILITIES COMMISSION ORDER
GRANTING LEVEL 3 MOTION TO WITHDRAW**

Trina

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

DOCKET NO. 2007-67
July 24, 2007

VERIZON NEW ENGLAND, INC.
D/B/A VERIZON MAINE
Request for Approval of Affiliated Interest
Transaction and Transfer of Assets of
Verizon's Property and Customer Relations
to be Merged with and into
FairPoint Communications, Inc.

**MOTION TO WITHDRAW
PETITION TO INTERVENE
OF LEVEL 3
COMMUNICATIONS, LLC**

RECEIVED
2007 JUL 31 P 2
PUBLIC UTILITIES
COMMISSION

Level 3 Communications, LLC ("Level 3") filed a Petition to Intervene in this proceeding on February 15, 2007 for the limited purpose of ensuring that its existing interconnection rights would continue following the consummation of the proposed Transfer of Assets from Verizon New England Inc. d/b/a Verizon Maine ("Verizon") to Fairpoint Communications, Inc. (FairPoint"). FairPoint has cooperated with Level 3 in addressing its concerns and Level 3 believes its participation in this proceeding is no longer necessary. As a result, Level 3 supports approval of the merger transaction without conditions and respectfully requests that its Motion to Withdraw be granted.

Upon approval of this motion, please remove the following contacts from your service lists, including e-mail distribution lists:

<p>Rogelio E. Peña Peña & Associates, LLC 4845 Pearl East Circle, Suite 101 Boulder, CO 80301 Tel. 303.415.0409 / Fax 303.625.4073 e-mail: rpena@boulderattys.com</p>	<p>Gregg Strumberger Regulatory Counsel Level 3 Communications, Inc. 1025 Eldorado Boulevard Broomfield, CO 80021 Te. 720.888.1780 / Fax 720.888.5134 e-mail: Gregg.Strumberger@Level3.com</p>
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*Granted By Order
of the Hearing Examiner
7/31/07*

Trina M. Blagden

Dated this 24th day of July, 2007.

Respectfully submitted,



Rogelio E. Peña
Peña & Associates, LLC
4845 Pearl East Circle, Suite 101
Boulder, CO 80301
303.415.0409 - Telephone
303.625.4073 - Facsimile
rpena@boulderatys.com

Counsel for Level 3 Communications, LLC

CERTIFICATE OF SERVICE

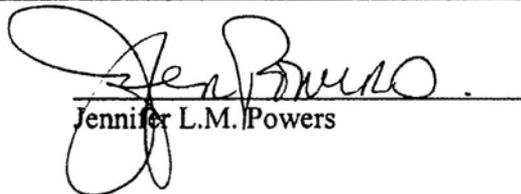
I hereby certify that a copy of the foregoing was filed electronically on this 24th day of July, 2007, and that the original and one hard copy of same was sent via Federal Express on this 24th day of July, 2007, addressed to the following:

MAINE PUBLIC UTILITIES COMMISSION

Attn: Karen Geraghty, Administrative Director
242 State Street / State House Station 18
Augusta, Maine 04333-0018

I also hereby certify that a hard copy of the foregoing was sent via electronic mail on this 24th day of July, 2007, addressed to the following:

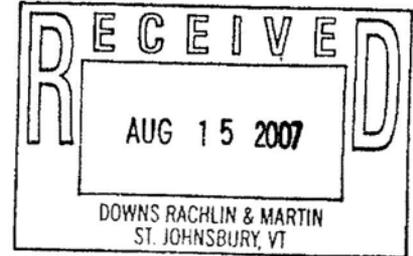
Donald W. Boecke Verizon New England, Inc. 185 Franklin Street, 13th Floor Boston, MA 02110-1585 e-mail: Donald.w.boecke@verizon.com	Joseph G. Donahue Preti Flaherty Beliveau & Pachios LLP 45 Memorial Circle P.O. Box 1058 Augusta, ME 04332-1058 e-mail: jdonahue@preti.com
* All Parties on E-mail Distribution List	



Jennifer L.M. Powers

VERMONT PUBLIC SERVICE BOARD ORDER
GRANTING LEVEL 3 MOTION TO WITHDRAW

STATE OF VERMONT
PUBLIC SERVICE BOARD



Docket No. 7270

Joint Petition of Verizon New England, Inc., d/b/a)
Verizon Vermont, Certain Affiliates Thereof, and)
FairPoint Communications, Inc. for approval of an asset)
transfer, acquisition of control by merger and associated)
transactions)

Order entered: 8/14/2007

PROCEDURAL ORDER ON MOTION TO WITHDRAW

This Docket concerns a Joint Petition filed by Verizon New England, Inc., d/b/a Verizon Vermont ("Verizon New England"), NYNEX Long Distance Company ("NYNEX Long Distance"), Verizon Select Services, Inc. ("VSSI"), Bell Atlantic Communications, Inc. ("BACI"),¹ and FairPoint Communications, Inc. ("FairPoint"), Northern New England SpinCo, Inc. ("Spinco"), Northern New England Telephone Operations, Inc. ("Telco"), and Enhanced Communications of Northern New England, Inc. ("Newco") for approval of the transfer of Verizon's local exchange and long distance businesses in Vermont to companies controlled by FairPoint; and for such other approvals as may be necessary to complete the transaction described in the joint petition.

In an Order issued on March 28, 2007, we approved intervention by Level 3 Communications, LLC ("Level 3"). On July 25, 2007, Level 3 filed a "Motion to Withdraw its Intervention." Level 3 explained that its original interest in this docket, protecting its existing interconnection rights, had been satisfied through discussions with FairPoint. No party has opposed the motion.

We understand Level 3's Motion as seeking to terminate party status in this proceeding.²

1. Hereafter, collectively referred to as "Verizon".

2. Level 3's Motion to Intervene has been granted, and cannot be withdrawn.

Since no party has objected, the motion is granted, and Level 3 is no longer a party to this proceeding.

SO ORDERED.

Dated at Montpelier, Vermont, this 14th day of August, 2007.

s/James Volz)

)

PUBLIC SERVICE

)

s/David C. Coen)

)

BOARD

)

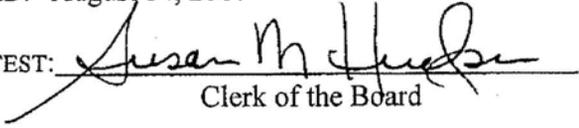
OF VERMONT

)

s/John D. Burke)

A true copy:
OFFICE OF THE CLERK

FILED: August 14, 2007

ATTEST: 
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.

VIRGINIA ORDER APPROVING MERGER TRANSACTION

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, July 30, 2007

JOINT PETITION OF

CASE NO. PUC-2007-00047

FAIRPOINT COMMUNICATIONS, INC.,
PEOPLES MUTUAL TELEPHONE COMPANY,
AND FAIRPOINT COMMUNICATIONS SOLUTIONS
CORP. – VIRGINIA

Pursuant to the Utility Transfers Act,
Va. Code §§ 56-88 et seq.

July 30, 2007

GOVERNMENT CONTROL

ORDER GRANTING APPROVAL

On May 18, 2007, FairPoint Communications, Inc. (“FairPoint”), and Peoples Mutual Telephone Company (“Peoples Mutual”) filed a joint petition with the State Corporation Commission (“Commission”) pursuant to Chapter 5 of Title 56 (“Utility Transfers Act”) of the Code of Virginia (“Code”) for approval of the transfer of control of Peoples Mutual or a determination that the Utility Transfers Act does not apply to the proposed transaction. The joint petition was complete as of May 30, 2007.¹ On July 13, 2007, FairPoint Communications Solutions Corp. – Virginia (“Solutions”) filed a motion to amend the joint petition by moving to join the joint petition. The Commission finds the joint petition should be so amended and Solutions joined. FairPoint, Peoples Mutual, and Solutions are referred to herein collectively as the “Joint Petitioners.”

FairPoint is a publicly-traded Delaware business corporation with its principal business office located in Charlotte, North Carolina. FairPoint was formed to acquire and operate rural and small urban telecommunications companies and currently owns 31 companies serving approximately 310,180 access lines in 18 states as of March 31, 2007. Solutions is a Virginia corporation and a wholly owned subsidiary of FairPoint.

¹ See Staff’s memorandum of completeness issued May 31, 2007.

Solutions was originally certificated to provide telecommunications services on August 29, 2000, as FairPoint Communications Corporation – Virginia, and that certification was reissued in its current name on August 2, 2002, in Case No. PUC-2002-00125. Solutions assists rural independent telephone companies and other wholesale clients in establishing and maintaining their retail long distance business, including providing outbound long distance service via dedicated or switched access, toll-free service and calling cards, as well as other products. MJD Ventures, Inc. (“MJD Ventures”), also is a wholly owned subsidiary of FairPoint that owns all of the common equity of Peoples Mutual. Peoples Mutual is an incumbent local exchange carrier providing telecommunications services in Pittsylvania, Virginia. MJD Ventures obtained the approval of the Commission to purchase all of the common equity of Peoples Mutual in Case No. PUA-1999-00081. Peoples Mutual is thus an indirect subsidiary of FairPoint.

The Joint Petitioners propose to consummate a transaction whereby control of FairPoint will be shared by FairPoint’s current shareholders and Verizon Communications Inc.’s (“Verizon”) shareholders following a merger of FairPoint and Northern New England Spinco Inc. (“Spinco”), a Verizon spinoff. The proposed transaction involves a series of internal reorganizations within Verizon. Verizon New England Inc., an operating subsidiary of Verizon that provides local exchange and interexchange telecommunications services in the New England states, will transfer its assets and operations associated with the provision of local exchange and intrastate interexchange telecommunications services in Maine, New Hampshire, and Vermont to Northern New England Telephone Operations Inc. (“Telco”). Following the transfer of assets, Telco will become a wholly owned subsidiary of Spinco. In addition, other

Verizon subsidiaries, through a series of steps, will transfer certain additional long distance customers in the same three states to Enhanced Communications of Northern New England Inc. ("Newco"), which also will become a wholly owned subsidiary of Spinco.

After Telco and Newco become direct wholly owned subsidiaries of Spinco, Verizon will then distribute the stock of Spinco directly to Verizon shareholders, such that Spinco, and, therefore, Telco and Newco, will no longer be a subsidiary of Verizon. Following the distribution of stock, and pursuant to the Agreement and Plan of Merger dated January 15, 2007, and as amended by Amendment No. 1 dated as of April, 20, 2007, Spinco will be merged with and into FairPoint. FairPoint will be the surviving company and will own all of the stock of Telco and Newco. Upon closing, Verizon shareholders, who became shareholders of Spinco, will own approximately 60% of FairPoint, and the shareholders of FairPoint will own approximately 40% of FairPoint. Following these transactions, FairPoint will continue to own and control 100% of the common stock of Solutions and Peoples Mutual.

After the merger of Spinco and FairPoint, existing FairPoint management will continue to manage FairPoint. Verizon will have the right to nominate initially up to six of the nine members of the FairPoint Board of Directors as it will be constituted immediately after the merger.²

The Joint Petitioners represent that the Commission should approve the proposed transaction as it will not have an impact upon the services provided by both Solutions and

² Assuming Mr. David L. Hauser (a current FairPoint director) is reelected by FairPoint's shareholders at the annual meeting, Verizon will then only name five of the nine directors. None of these nominees may be employed by Verizon or its affiliates, making FairPoint independent of Verizon. Once these directors are nominated by Verizon, Verizon will have no further obligation to these directors, and the directors will have no obligation to Verizon.

Peoples Mutual or upon the rates, terms, and conditions of such services. The Joint Petitioners further represent that FairPoint should be in a stronger financial position following the proposed transaction and that the proposed transaction should inure to the benefit of Solutions and Peoples Mutual. The Joint Petitioners further represent that the proposed transfer will be transparent to customers of Solutions and Peoples Mutual as they will both remain a subsidiary of FairPoint and will continue to operate as before.

NOW THE COMMISSION, upon consideration of the joint petition and representations of the Joint Petitioners and having been advised by its Staff, is of the opinion and finds that the above-described transaction is subject to Commission approval under the Utility Transfers Act. However, we find that the proposed transaction, as it pertains to the transfer of ownership of FairPoint and the transfer of control of Solutions and Peoples Mutual, will neither impair nor jeopardize the provision of adequate service to the public at just and reasonable rates and should, therefore, be approved.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to §§ 56-88.1 and 56-90 of the Code, the Joint Petitioners are hereby granted approval to consummate the transaction to allow for the transfer of control of FairPoint Communications Solutions Corp. – Virginia and Peoples Mutual Telephone Company, as described herein.

(2) The Joint Petitioners Motion to Amend Joint Petition to include FairPoint Communications Solutions Corp. – Virginia as a Joint Petitioner, filed on July 13, 2007, is hereby accepted.

(3) The Joint Petitioners shall file a report of the action taken pursuant to the approval granted herein within thirty (30) days following consummation of the

transaction, subject to administrative extension by the Commission's Director of Public Utility Accounting. Such report shall include the date the transaction took place.

(3) There appearing nothing further to be done in this matter, it hereby is dismissed.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Richard D. Gary, Esq., Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074 and the Commission's Division of Public Utility Accounting and Division of Communications.

ILLINOIS ORDER APPROVING MERGER TRANSACTION

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

FairPoint Communications, Inc., C-R :
Telephone Company d/b/a FairPoint :
Communications / C-R Telephone :
Company, The El Paso Telephone :
Company d/b/a FairPoint :
Communications / The El Paso :
Telephone Company, Odin Telephone :
Exchange, Inc. d/b/a FairPoint :
Communications / Odin Telephone :
Exchange, Inc., and Yates City : 07-0191
Telephone Company d/b/a FairPoint :
Communications / Yates City :
Telephone Company :
:
:
Joint Application for approval of the :
Reorganization of FairPoint :
Communications, Inc. pursuant to :
Sections 7-203 and 7-204 and for :
other relief. :

ORDER

By the Commission:

I. INTRODUCTION

On March 15, 2007, FairPoint Communications, Inc. ("FairPoint"), C-R Telephone Company d/b/a FairPoint Communications / C-R Telephone Company ("C-R"), The El Paso Telephone Company d/b/a FairPoint Communications / The El Paso Telephone Company ("El Paso"), Odin Telephone Exchange, Inc., d/b/a FairPoint Communications / Odin Telephone Exchange, Inc. ("Odin"), and Yates City Telephone Company d/b/a FairPoint Communications / Yates City Telephone Company ("Yates City") (collectively, "Joint Applicants") filed with the Illinois Commerce Commission ("Commission") a verified Joint Application for approval of transactions and agreements that result in a change of ownership of more than 50% of the voting capital stock of FairPoint. The transaction involves FairPoint acquiring by merger certain assets and customer relationships of Verizon Communications, Inc. ("Verizon") related to the provision of local exchange, exchange access, and inter exchange services in the states of Maine, New Hampshire, and Vermont. The Joint Application sought approval of the transactions as a transfer of control in accordance with Section 7-203 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., and a reorganization in accordance with Section 7-204 of the Act and for all other appropriate relief.

Pursuant to proper notice, this matter came on for hearing before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield on April 18 and June 6, 2007. Counsel for Joint Applicants and counsel for Commission Staff ("Staff") each entered an appearance at the hearings. Walter Leach, Jr., Executive Vice President, Corporate Development of FairPoint, testified in support of the Joint Application. Michael McNally, a Senior Financial Analyst in the Finance Department of the Financial Analysis Division of the Commission's Public Utilities Bureau, Mike Ostrander, an Accountant in the Accounting Department of the Financial Analysis Division, Karen Chang, an Economic Analyst in the Rates Department of the Telecommunications Division of the Public Utilities Bureau, and Samuel McClerren, an Engineering Analyst in the Engineering Department of the Telecommunications Division, testified on behalf of Staff. With the continued existence of certain conditions imposed on Joint Applicants by the Commission in Docket No. 04-0299, Staff recommended that the Commission find that the transactions met the requirements of the Act.

II. JOINT APPLICANTS' POSITION

Mr. Leach testified that FairPoint is a Delaware corporation and following an initial public offering ("IPO") in February 2005, is now a publicly traded company with its stock listed on the New York Stock Exchange. As of December 31, 2006, FairPoint, through its operating companies, which it ultimately owns and controls, served approximately 311,150 access line equivalents in 18 states including Illinois, Maine, New Hampshire, and Vermont. FairPoint currently serves approximately 64,000 access lines in the states of Maine, Vermont, and a small area of New Hampshire.

Mr. Leach testified that FairPoint is the ultimate parent of C-R, El Paso, Odin, and Yates City, each of which is an incumbent local exchange carrier providing service in Illinois subject to this Commission's jurisdiction and regulation. As of December 31, 2006, C-R, El Paso, Odin, and Yates City provided service to 996; 2,218; 4,410; and 470 access lines, respectively. Collectively, the four Illinois incumbent local exchange carriers provide service to approximately 8,094 access lines.

Mr. Leach testified that FairPoint has entered into an agreement to acquire by merger the local exchange and interexchange assets and operations of companies owned and controlled by Verizon in Maine, New Hampshire, and Vermont. With the completion of the transaction, FairPoint will be serving in excess of 2,000,000 total access line equivalents and will become the eighth largest telecommunications carrier in the United States. The transaction has a value of approximately \$2.715 billion.

Mr. Leach testified that through a series of preliminary transactions, Verizon entities will transfer assets to be acquired into companies that are owned by a newly created Verizon subsidiary—Northern New England Spinco, Inc. ("Spinco"). Verizon will then distribute the stock of Spinco directly to the shareholders of Verizon. Immediately

following the distribution of the Spinco stock to Verizon shareholders, Spinco will be merged with and into FairPoint.

Mr. Leach testified that FairPoint will be the surviving company under its existing name and will own all of the stock of the companies that have the assets formerly used by Verizon to provide service in Maine, New Hampshire, and Vermont. Current FairPoint management will continue to supervise and manage the operations of FairPoint, including the acquired subsidiaries. FairPoint's executive management team has an average of 23 years of industry experience and has successfully integrated 35 business acquisitions since 1993.

Mr. Leach testified that at the closing of the merger, the shareholders of Verizon who became shareholders of Spinco will receive and own approximately 60% of FairPoint's common stock and the then existing shareholders of FairPoint will own approximately 40% of the FairPoint common stock. While the transactions do not involve the acquisition, sale, or transfer of ownership of any telecommunications operations or entities in Illinois subject to the jurisdiction and regulation of the Commission, the Joint Application was filed because of the change of ownership of more than 50% of the voting capital stock of FairPoint and the requirements of Section 7-204 of the Act. While FairPoint has a large base of public shareholders today, Mr. Leach states that after the transaction FairPoint will have a larger base of public shareholders. However, it is anticipated that no shareholder will own 10% or more of FairPoint's issued and outstanding common stock.

Mr. Leach testified that the Commission had previously granted approvals under Sections 7-203 and 7-204 of the Act to Joint Applicants, including approvals granted in Docket No. 04-0299 involving proposed IPOs by FairPoint. The Joint Applicants' original IPO proposal was approved by the Commission in an Order entered on May 26, 2004. Because of market conditions, FairPoint did not proceed with the IPO as originally structured. Rather, the Joint Applicants sought authority from the Commission, through a reopening of Docket No. 04-0299 to proceed with a traditional IPO common stock offering. The revised proposal was approved by the Commission's Order on Reopening entered on January 20, 2005. Following the Order on Reopening, FairPoint proceeded with the IPO in early February of 2005.

Mr. Leach testified that in the two phases of Docket No. 04-0299, Staff proposed, the Joint Applicants accepted, and the Commission imposed a total of eight conditions in connection with the approval of the reorganizations. The eight conditions are as follows:

- (1) Staff should be granted access to all books, accounts, records, and personnel of FairPoint, C-R, El Paso, Odin, and Yates City and all of their utility and non-utility affiliated parent, sister, and subsidiary companies, as well as independent auditors' work papers;

- (2) C-R, El Paso, Odin, and Yates City should continue to comply with 83 Ill. Adm. Code 712;
- (3) FairPoint, C-R, El Paso, Odin, and Yates City and all of their utility and non-utility affiliated parent, sister, and subsidiary companies should conduct annual internal audits to test compliance with Sections 7-204(b)(2) and 7-204(b)(3). The internal audit report documenting findings, conclusions, and recommendations should be submitted to the Manager of Accounting of the Commission by March 31st of each year and associated work papers should be available to Staff for review. The first internal audit report shall be submitted to the Manager of Accounting of the Commission on or before March 31, 2005;
- (4) That C-R, El Paso, Odin, and Yates City be prohibited from increasing tariffed retail rates for one year after the effective date of the reorganization;
- (5) That C-R, El Paso, Odin, and Yates City are prohibited from using any increased costs, as a result of this recapitalization, to justify any increases in their levels of support from the Universal Service Fund;
- (6) An Operating Company (i.e., C-R, El Paso, Odin, and Yates City) will be prohibited from paying dividends to FairPoint or from otherwise transferring cash to FairPoint through loans, advances, investments, or other means that would divert their moneys, property, or other resources that is not essentially or directly connected with the provision of non-competitive telecommunications service if that operating company fails to meet or exceed the standard, set herein, for a majority of the service quality measures:

a) STANDARDS:

	C-R	El Paso	Odin	Yates
Toll & Assistance Answer Time (Part 730.510(a)(1)(A))	10 sec.	10 sec.	10 sec.	10 sec.
Information Answer Time (Part 730.510(a)(1)(B))	10 sec.	10 sec.	10 sec.	10 sec.
Business Office Answer Time (Part 730.510(b)(1))	60 sec.	60 sec.	60 sec.	60 sec.
Repair Office Answer Time (Part 730.535(a))	60 sec.	60 sec.	60 sec.	60 sec.
Interruptions of Service	1.0%	2.2%	3.2%	1.0%

(Part 730.535(a))				
Installation Requests (Part 730.540(a))	1.0%	1.0%	1.3%	1.0%
Trouble Reports per 100 lines (Part 730.545(a))	1.2	2.4	2.8	2.4

If any of the Operating Company's are granted a permanent waiver from having to comply with a key service quality measure in Docket Nos. 04-0278 through 04-0281, then that service quality measure shall not be included in the list. Until the Commission issues an order in Docket Nos. 04-0278 through 04-0281, key service quality measures Toll & Assistance Answer Time, Information Answer Time, Business Office Answer Time, and Repair Office Answer Time shall be included in the condition, but not used to determine compliance with this condition. If a permanent waiver is denied, then those service quality measures shall be used to determine compliance. A standard shall be the average of the two-year actual performance of that operating company for that service quality measure, for the past twenty-four months;

- b) **MEASUREMENTS:** Measurements shall commence on the date the securities are issued, and will be taken on an annual basis;
- c) **ANNUAL REPORTS:** FairPoint shall file an annual report with the Chief Clerk's Office and posted in this docket. The annual report shall be filed December 1st of each year. Within the annual report, FairPoint shall identify each carrier and the title of the service quality measure, and by operating company FairPoint shall list the standard set by the Commission for each service quality measure and the actual performance for each annual period. The annual report shall present the actual performance data for every month after the date the securities are issued, with the initial month of data presented in the report being July 2004;
- d) **FINAL NOTICE:** When FairPoint's issuer credit rating from both Standard & Poor's ("S&P") and Moody's Investors Service improves to investment grade, FairPoint shall send a certified notice to the Commission, with a third-party independent verification, that its issuer credit rating has been upgraded to investment grade. A corporate officer shall certify that the notice is true and accurate;
- e) **DURATION OF CONDITION:** The duration of time this condition should remain in effect is until FairPoint's issuer credit rating increases to investment grade;

- (7) That FairPoint keep available exclusively for the Illinois operating telephone companies, under its senior secured credit facility, an amount equal to the higher of \$1 million or the currently approved capital expenditures budget for all four Illinois operating telephone companies. FairPoint should certify annually to the Commission that the required amount is available to the Illinois operating companies for the ensuing year. Therefore, on December 1 of each year, FairPoint shall send a notice to the Commission certifying that such amount was then currently available, and for the ensuing year what the dollar commitment would be for the Illinois companies based on the capital expenditure budget for the following year; and
- (8) FairPoint's credit facility agreement shall provide that the ceiling on aggregate capital expenditures in any fiscal year for FairPoint and its subsidiaries shall be at least 30% of FairPoint's Earnings before Interest, Taxes, Depreciation, and Amortization ("EBITDA") for such fiscal year.

Mr. Leach testified that with the exception of condition (4) which had a one year duration that has now passed, making condition (4) no longer applicable, Joint Applicants remain subject to the remaining 7 conditions.

Mr. Leach testified that the proposed New England transactions with Verizon will result in FairPoint becoming a more financially sound company which will benefit the Illinois operating companies and all of FairPoint's existing customers, including those in Illinois. Mr. Leach indicated that the transactions will result in a greater cash flow after dividends for FairPoint which will enhance FairPoint's ability to fund all of its subsidiaries' operating requirements and capital expenditures. Completion of the transaction will result in lowering FairPoint's leverage as measured by comparing long term debt to EBITDA. With the completion of the merger transactions, FairPoint will become the eighth largest telecommunications carrier in the United States, and economies of scale and the additional resources and talents that are being acquired are expected to, over time, benefit FairPoint's existing operations and customers, including those in Illinois. The improved capital structure and size of FairPoint following the merger should improve its access to capital and lower its cost of capital.

According to Mr. Leach, the transactions will have no adverse impact in regard to the application of any of the statutory criteria contained in Section 7-204 of the Act to the Joint Applicants. The day-by-day management and operations of the four Illinois incumbent local exchange carriers will not be affected by the transactions. Mr. Leach indicated that even though there would be no adverse impact if Joint Applicants were not subject to any existing conditions, the Joint Applicants are in fact subject to certain conditions that were approved in Docket No. 04-0299 as set forth above. As a result, he asserted that the Commission need only find, as it found in Docket No. 04-0299, that the transaction with the present existing conditions meets the statutory criteria.

Pursuant to subsection (b), the Commission must make seven findings before granting approval under Section 7-204. Under subsection (b)(1), the Commission must find that the proposed reorganization will not diminish the utilities' ability to provide adequate, reliable, efficient, safe, and least-cost public utility service. In support of such a finding, Mr. Leach testified that the acquisition of the Verizon New England operations and assets by a separate subsidiary will only strengthen the capabilities and resources of FairPoint and will be to the benefit of the Illinois operating companies and the other FairPoint operating companies in regard to their abilities to provide service to their customers. Mr. Leach indicated that FairPoint and the Illinois operating companies have a proven track record of providing good service, and the proposed transaction will not adversely affect those capabilities. Mr. Leach also noted that the Joint Applicants are subject to conditions (6), (7), and (8) which Staff had recommended and the Commission imposed in Docket No. 04-0299 to assure compliance with the service quality requirements of Section 7-204(b)(1).

The second finding the Commission must make pursuant to subsection (b)(2) is that the proposed reorganization will not result in the unjustified subsidization of non-utility activities by the utility or its customer. Pursuant to subsection (b)(3), the third and related finding the Commission must make is that costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission can identify those costs and facilities, which are properly included by the utility for rate making purposes. Mr. Leach testified that neither the New England acquisition nor the change in ownership of the majority of the issued and outstanding common stock of FairPoint will have any affect on the four Illinois operating companies in regard to these two criteria. Mr. Leach also pointed out that in Docket No. 04-0299 Staff recommended that conditions (1), (2), and (3) in order to further assure compliance with the requirements of Section 7-204(b)(2) and 7-204(b)(3). Those conditions remain in effect and can be relied upon by the Commission again in regard to compliance with those statutory requirements.

According to subsection (b)(4), the Commission must also find that the proposed reorganization will not significantly impair the utilities' ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure. Mr. Leach testified that the transactions and the proposed reorganization will not result in any change in the capital structure of C-R, El Paso, Odin, or Yates City. He indicated that the transactions would make FairPoint a financially stronger company with an improved capital structure. The completion of the transactions will result in FairPoint becoming the eighth largest telecommunications carrier in the United States and will enhance its ability to obtain capital upon reasonable terms. Mr. Leach testified that since FairPoint raises capital for the Illinois operating companies as well as its other subsidiaries, enhancing these abilities would benefit the Illinois companies and, in turn, their customers. In Docket No. 04-0299 Staff recommended conditions (6), (7), and (8) not only to support a finding that the transactions met the requirements of 7-204(b)(1) in regard to service quality but also to support a similar finding in regard to the requirements of Section 7-204(b)(4). Those conditions remain in place and provide further support for a finding that the reorganization meets the requirements of subsection (b)(4).

The fifth finding, pursuant to subsection (b)(5) that the Commission must make is that the utilities will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois public utilities. Mr. Leach testified on behalf of each of Joint Applicants that they specifically acknowledged that each of them will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois incumbent local exchange carriers.

The Commission must also find, pursuant to subsection (b)(6), that the proposed reorganization is not likely to have a significant adverse affect on competition in those markets over which the Commission has jurisdiction. Mr. Leach stated that the acquisition of the telecommunications operations in the New England states and the change of stock ownership in FairPoint at the time of the closing of the transaction will have no significant adverse impact on competition in the telecommunications markets for which the Commission has jurisdiction in the areas served by C-R, El Paso, Odin, and Yates City.

The final finding that the Commission must make is that the proposed reorganization is not likely to result in any adverse rate impacts on retail customers pursuant to subsection (b)(7). Mr. Leach testified that nothing in the proposed reorganization will result in any increase in the rates that C-R, El Paso, Odin, or Yates City charge their retail customers. The acquisition of the operations in New England will not be the basis or cause for retail rate changes in Illinois.

Section 7-204(c) addresses any savings and costs related to the reorganization. With regard to this section, Mr. Leach testified that while FairPoint believes that there will be merger synergies at the holding company level at some point after the closing of the merger and the completion of the transaction, Joint Applicants do not project that C-R, El Paso, Odin, and/or Yates City will achieve any savings at their regulated intrastate operations level as a result of the transactions. In addition, Joint Applicants also do not project that any incremental costs will be incurred at the Illinois operating company level in connection with the reorganization. Mr. Leach added that Joint Applicants specifically commit not to seek in this proceeding, or in any other proceeding before this Commission, to recover any costs that might be incurred in accomplishing the proposed transactions.

III. STAFF'S POSITION

As described in greater detail in Staff's testimony, Staff has reviewed the record, including the Joint Application and testimony of Joint Applicant witness Leach, and, based upon the record, concludes that Joint Applicants' reorganization proposal satisfies the requirements set forth in Section 7-204 of the Act, subject to the conditions imposed on Joint Applicants in Docket No. 04-0299 that remain in effect as discussed herein. In general, Staff witnesses testified that the Commission must determine that Joint Applicants' proposal meets the requirements of Sections 7-203 and 7-204 of the Act in order to proceed with the reorganization plan.

Staff witness McClerren addressed the potential operational impacts of the proposed reorganization. Regarding Section 7-204(b)(1), Mr. McClerren explained that the Commission must find that, “the proposed reorganization will not diminish the utility’s ability to provide adequate, reliable, efficient, safe and least-cost public service.” Mr. McClerren explained that he has reviewed the service quality information for FairPoint’s Illinois operations on the Commission’s web site per 83 Ill. Adm. Code Part 730, as well as the annual filing requirements under Docket No. 04-0299. Based upon his review, Mr. McClerren noted that FairPoint’s four Illinois operating companies have historically provided, and continue to provide, a very high level of service quality. Relative to the seven standards in Condition (6) of Docket No. 04-0299, for the last four quarters, FairPoint has not approached failing a majority of the service quality benchmarks. In fact, for the last four quarters, only three of FairPoint’s four Illinois operating companies have missed even one measure – trouble reports per 100 lines – and none of those three Illinois operating companies approached the threshold level of six trouble reports per 100 access lines, which is the maximum average established by Section 730.545(a). Mr. McClerren offered his opinion that he is not concerned about the potential impact of this reorganization on the service quality provided by FairPoint’s four Illinois operating companies because FairPoint’s four Illinois operating companies continue to provide very high levels of service quality. FairPoint also continues to operate under Condition (6) from Docket No. 04-0299, and the management structure in Illinois is not changing due to this proposed reorganization. Mr. McClerren concluded that operationally, he found no evidence to support the conclusion that this proposed reorganization will diminish the ability of FairPoint’s four Illinois operating companies to provide adequate, reliable, efficient, safe, and least-cost service.

Staff witness Ostrander testified regarding Joint Applicants’ compliance via the proposed reorganization with Sections 7-204(b)(2) and 7-204(b)(3) of the Act. Mr. Ostrander explained that subsection (b)(2) requires that, before approving a proposed reorganization, the Commission find that the proposed reorganization will not result in the unjustified subsidization of non-utility activities by the utility or its customers and that subsection (b)(3) requires that, before approving a proposed reorganization, the Commission find that costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities which are properly included by the utility for rate making purposes. In addition to relying on Mr. Leach’s assurances of compliance with the Act, Mr. Ostrander explained that the Commission can be assured that Joint Applicants will be in compliance with subsections (b)(2) and (b)(3) because Joint Applicants remain subject to certain conditions ordered by the Commission in Docket No. 04-0299. He observes that Joint Applicants have agreed in this docket to the following conditions as further evidence of compliance with subsections (b)(2) and (b)(3):

- (1) Commission Staff will be granted access to all books, accounts, records and personnel of FairPoint, C-R, El Paso, Odin, and Yates City and all of their utility and non-utility affiliated sister and subsidiary companies, as

well as independent auditor's working papers, to the extent permitted by the rules and policies of the independent auditor;

- (2) C-R, El Paso, Odin, and Yates City will continue to comply with 83 Ill. Admin. Code 712; and
- (3) FairPoint, C-R, El Paso, Odin, and Yates City and all their utility and non-utility affiliated sister and subsidiary companies will conduct annual internal audits to test compliance with Section 7-204(b)(2) and 7-204(b)(3). The internal audit report documenting findings, conclusions and recommendations will be submitted to the Manager of Accounting of the Commission by March 31st each year and associated working papers will be available to Commission Staff for review. The next internal audit report will be submitted on or before March 31, 2008, covering the 12 months ended December 31, 2007.

Mr. Ostrander suggested that the Commission order that Joint Applicants remain subject to the conditions as ordered in Docket No. 04-0299 as further evidence of compliance with subsections (b)(2) and (c)(3).

Staff witness McNally reviewed the Joint Application to determine whether the reorganization proposal would comply with the requirements set forth in Section 7-204(b)(4) of the Act. Pursuant to subsection (b)(4), no authorization should be granted for the proposed reorganization of an Illinois public utility unless the Commission finds that "the proposed reorganization will not significantly impair the utility's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure." Mr. McNally testified that the proposed reorganization would not significantly impair FairPoint's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure. He pointed out that the proposed transaction is not a typical change in ownership, in that one owner or group of owners would not replace another; rather the proposed transaction would represent an expansion of FairPoint's ownership base. It is anticipated that no single shareholder would own 10% or more of the post-merger FairPoint common stock. Further, FairPoint and its subsidiaries would remain under the management and supervision of FairPoint's current executive management team; thus, the transaction will not affect the day-to-day operations of FairPoint's Illinois utility subsidiaries.

Mr. McNally also noted that while the proposed transaction would not result in any change to the capital structures of FairPoint's Illinois utilities, it is expected to give FairPoint better access to capital and make it better able to maintain a reasonable capital structure, which will benefit its Illinois utility subsidiaries. Mr. Leach indicated that the transaction would improve FairPoint's cash flows and capital structure. Likewise, S&P reports that it expects the transaction to make FairPoint modestly stronger and, consequently, has placed FairPoint's current BB- credit rating on CreditWatch with positive implications. FairPoint's increased size, stronger capital structure, and improved cash flows should improve FairPoint's access to capital, which,

as noted above, would positively affect FairPoint's regulated utility subsidiaries' ability to access capital and maintain reasonable capital structures.

Moreover, Mr. McNally observed that Joint Applicants would remain subject to the conditions imposed in Docket No. 04-0299 to protect the service quality and financial integrity of the utility subsidiaries. Included in those conditions are: (1) a restriction on dividend payments from the Illinois utilities to FairPoint if the Illinois utilities fail to meet certain service quality standards (until such time as FairPoint attains an investment grade credit rating); (2) a requirement that FairPoint keep available, under its senior secured credit facility, an amount equal to the higher of \$1 million or the current collective capital expenditures budgets for all four Illinois utilities for the Illinois utilities' exclusive use; and (3) a requirement that the ceiling for capital expenditures set forth in FairPoint's credit facility agreement be no lower than 30% of FairPoint's annual EBITDA (Docket No. 04-0299 Conditions (6), (7), and (8), respectively). In Mr. McNally's opinion, these conditions ensure that the financial needs of FairPoint shall be subordinate to those of its Illinois utilities. Consequently, he recommends that the Commission find that, with the continued imposition of Conditions (6), (7), and (8) from Docket No. 04-0299, the proposed reorganization will not significantly impair FairPoint's Illinois utility subsidiaries' ability to raise necessary capital on reasonable terms or to maintain reasonable capital structures.

Staff witness Chang reviewed rate and cost issues associated with the Joint Applicants' reorganization plan under Section 7-204 of the Act, specifically, subsections (b)(5), (b)(6), and (b)(7). Upon review of the Joint Applicants' filing, Ms. Chang concluded that the reorganization plan satisfies the requirements of the above-referenced provisions of the Act and, therefore, she had no objections to a Commission approval of the Joint Applicants' proposal. Subsection (b)(5), Ms. Chang explained, requires that, "the utility will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois public utilities." She noted that the Commission previously approved FairPoint's acquisition of the four Illinois incumbent local exchange carriers who are joint applicants in this proceeding. In addition, in Docket No. 04-0299 the Commission approved an acquisition and recapitalization transaction involving the IPO requested by FairPoint and the other Joint Applicants. Ms. Chang also pointed out that Mr. Leach confirms that the proposed New England transaction is separate from FairPoint's existing local exchange operating subsidiaries in Illinois, Maine, New Hampshire, and Vermont. In support of the contention that the Illinois operating companies will not be affected by the transaction, Ms. Chang observed that the Transaction Service Agreement that FairPoint and Verizon entered into involves only the operations of the Verizon properties being transferred in Maine, New Hampshire, and Vermont. Finally, she noted that Mr. Leach specifically acknowledged that Joint Applicants will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois incumbent local exchange carriers.

Ms. Chang explained that subsection (b)(6) requires that, "the proposed reorganization is not likely to have a significant adverse effect on competition in the

markets over which the Commission has jurisdiction.” Ms. Chang concluded that the proposed reorganization would not have an adverse effect on competition because, as Mr. Leach stated, the acquisition of the telecommunications operations in the New England states will have no impact on competition in the telecommunications markets for which the Commission has jurisdiction.

Subsection (b)(7), Ms. Chang continued, requires that, “the proposed reorganization is not likely to result in any adverse rate impacts on retail customers.” Ms. Chang noted that Mr. Leach expressly stated that nothing in this reorganization will result in any increase in the rates that C-R, El Paso, Odin, or Yates City charge its retail customers. Ms. Chang concluded that she has no reason to believe that Mr. Leach’s assertion is incorrect and she is of the opinion that the proposed reorganization is not likely to result in an adverse rate impact on retail customers.

Mr. Ostrander also addressed Section 7-204(c). Subsection (c) requires that the Commission rule on (1) the allocation of any savings resulting from the proposed reorganization and (2) whether the companies should be allowed to recover any costs incurred in accomplishing the proposed reorganization and, if so, the amount of costs eligible for recovery and how the costs will be allocated. Mr. Ostrander pointed out that Mr. Leach testified that there are no savings anticipated by Joint Applicants from its regulated intrastate operations as a result of the reorganization. Mr. Ostrander noted that Mr. Leach also testified that Joint Applicants are not seeking in this proceeding, nor will they seek in any other proceeding, to recover any costs incurred in accomplishing the proposed reorganization. Accordingly, Mr. Ostrander recommended that the order in this matter include the following:

- (1) The allocation of any savings resulting from the proposed reorganization will flow through to the costs associated with the regulated intrastate operations for consideration in setting rates by the Commission; and
- (2) Joint Applicants will not be allowed to recover any costs incurred in accomplishing the proposed reorganization in future rate proceedings.

IV. COMMISSION CONCLUSION

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) C-R, El Paso, Odin, and Yates City are each telecommunications carriers as defined in Section 13-202 of the Act, and each is providing telecommunications services as defined in Section 13-203 of the Act;
- (2) the Commission has jurisdiction over the parties hereto and the subject matter hereof;

- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) for the reasons set forth by Joint Applicants and Staff, and in light of the conditions adopted in Docket No. 04-0299 that Joint Applicants remain subject to as set forth in the prefatory portion of this Order, the proposed reorganization will not adversely affect C-R's, El Paso's, Odin's, and/or Yates City's ability to perform their duties under the Act, and the proposed reorganization meets the criteria set forth in Section 7-204(b) of the Act in that:
 - a) the proposed reorganization will not diminish C-R's, El Paso's, Odin's, and/or Yates City's ability to provide adequate, reliable, efficient, safe, and least-cost public utility service;
 - b) the proposed reorganization will not result in the unjustified subsidization of non-utility activities by C-R, El Paso, Odin, and/or Yates City or their respective customers;
 - c) costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities, which are properly included by the respective utilities for rate making purposes;
 - d) the proposed reorganization will not significantly impair C-R's, El Paso's, Odin's, and/or Yates City's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure;
 - e) C-R, El Paso, Odin, and Yates City will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois public utilities;
 - f) the proposed reorganization is not likely to have a significant adverse effect on competition in those markets served by C-R, El Paso, Odin, and/or Yates City over which the Commission has jurisdiction; and
 - g) the proposed reorganization is not likely to result in any adverse rate impacts on retail customers of C-R, El Paso, Odin, and/or Yates City;
- (5) the allocation of any savings resulting from the proposed reorganization should flow through to the cost associated with the regulated intrastate operations of C-R, El Paso, Odin, and Yates City for consideration in setting rates by the Commission;

- (6) Joint Applicants should not be allowed to recover any costs incurred in accomplishing the proposed reorganization in future rate proceedings in Illinois;
- (7) all of the transactions for which approval is sought, including the proposed reorganization and proposed transfer of control of FairPoint, C-R, El Paso, Odin, and Yates City, are reasonable, and the relief requested under Section 7-203 and Section 7-204 of the Act should be granted as set forth herein; and
- (8) the prayer of the Joint Application may reasonably be granted and the public will be inconvenienced thereby.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that consent and approval are granted to Joint Applicants to carry out all actions necessary to effectuate the transactions approved herein involving the reorganization and transfer of control of FairPoint Communications, Inc., C-R Telephone Company d/b/a FairPoint Communications / C-R Telephone Company, The El Paso Telephone Company d/b/a FairPoint Communications / The El Paso Telephone Company, Odin Telephone Exchange, Inc. d/b/a FairPoint Communications / Odin Telephone Exchange, Inc., and Yates City Telephone Company d/b/a FairPoint Communications / Yates City Telephone Company.

IT IS FURTHER ORDERED that the consent and approval granted in this matter is subject to the conditions described in the prefatory portion of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 27th day of June, 2007.

(SIGNED) CHARLES E. BOX

Chairman