PretiFlaherty

JOSEPH G. DONAHUE
jdonahue@preti.com

December 12, 2007

Karen Geraghty, Administrative Director
Maine Public Utilities Commission
State House Station 18
242 State Street
Augusta, ME 04333-0018

RE: VERIZON NEW ENGLAND, INC. D/B/A VERIZON MAINE, ET AL. 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., Docket No. 2007-67

PUBLIC UTILITIES COMMISSION, Investigation into Verizon Maine's Allocation Form of Regulation, Docket No. 2005-155

FILING OF STIPULATION

Dear Ms. Geraghty:

Please find enclosed for filing an original and one copy of the Stipulation among Verizon New England Inc., d/b/a Verizon Maine ("Verizon New England"), Northern New England Telephone Operations Inc. ("Telco"), Enhanced Communications of Northern New England Inc. ("Newco"), Northland Telephone Company of Maine, Inc., Sidney Telephone Company, Standish Telephone Company, China Telephone Company, Maine Telephone Company, and Community Service Telephone Co. (the latter six being referred to as the "FairPoint Maine Telephone Companies"), the Maine Office of the Public Advocate, and the Advocacy Staff of the Maine Public Utilities Commission ("Advocacy Staff"), Cornerstone Communications, LLC, and the other intervenors executing the Stipulation for the resolution of issues in the above-captioned proceedings.

The detailed provisions of the Stipulation are set forth in Section 3 thereof, however the major provisions can be summarized as follows:

- The parties agree that the transaction should be approved; Verizon agrees to increase Spinco's working capital by $235.5 million, thereby reducing the amount of debt that the new FairPoint will need to incur by an equivalent amount;

- FairPoint agrees to reduce its dividend level by 35% and commits to using the higher of 90% of annual Free Cash Flow or $35 million per year to further reduce its debt over time;

- FairPoint agrees to make minimum capital investments in Maine of $47-48 million per year from 2008 through 2010;

- FairPoint agrees to substantially increase its proposed broadband investment to reach 90% addressability in Maine and to achieve other specified goals, and to maintain certain price levels and service offerings; FairPoint agrees to a rate reduction in Docket No. 2005-155 of $18 million per year beginning August 1, 2008, which reduction will remain in place during the five year term of an AFOR;

- FairPoint agrees to adopt Verizon's SQI mechanism with a potential for increased penalty levels if performance standards are not met;

- FairPoint agrees to honor existing collective bargaining agreements, is willing to negotiate a mutually acceptable extension of such agreements on generally the same conditions in the current agreements and to offer employment to the Verizon employees being laid off in the Bangor wireless call center.

Note that the Stipulation expressly declines to address a limited number of wholesale and other issues listed in Section 3(E)(13) and (14). With respect to these issues, the stipulating parties maintain their litigation positions.

The following parties intervened in Docket No. 2007-67: the Maine Office of the Public Advocate; the Advocacy Staff of the Maine Public Utilities Commission (Advocacy Staff), Communication Workers of America (CWA) and International Brotherhood of Electrical Workers (IBEW) Locals 2320, 2326, and 2327, and IBEW System Council T-6 (collectively Labor); the Eastern Maine Labor Council, AFL-CIO; U.S. Cellular Corporation; Biddeford Internet Corporation d/b/a Great Works Internet (GWI); One Communications; Cornerstone Communications, LLC; the CLEC Coalition (Mid-Maine Communications, Oxford Networks, and Pine Tree Networks); XO Communications Services, Inc.; Level 3 Communications, LLC; the Telephone Association of Maine (TAM); Pine Tree Telephone and Telegraph Company; Saco River Telegraph and Telephone Company; Oxford Telephone Company, Oxford West Telephone Company, Oxford County Telephone Service Company and Revolution Networks, all d/b/a as Oxford Networks; Mid Maine Communications; Lincolnville Telephone Company; Tidewater Telecom, Inc.; Unitel, Inc.; and the Department of Education and the Maine State Library. James Cowie, lead participant in a Docket No. 2006-274, dealing with Verizon's alleged participation in the National Security Agency's warrantless domestic wiretapping and data collection program, was granted discretionary intervention that was limited in scope to preserving the Commission's jurisdiction over the existing claims against Verizon in Docket No. 2006-274. All parties to Docket No. 2005-155 are also parties to Docket No. 2007-67, with the exception of the the American Association of Retired Persons ("AARP").

Throughout the pendency of Docket No. 2007-67, FairPoint actively engaged wholesale customers, including competitive local exchange carriers, ISP's, independent telephone companies, and cellular telephone companies, with respect to issues directly affecting these parties. Such discussion resulted in resolution of issues with several wholesale customers throughout the northern New England region. On July 24, 2007, Level 3 notified the Commission that it was withdrawing its petition to intervene and that it approved the proposed transaction without conditions, which withdrawal was approved by the Hearing Examiner on July 31, 2007. On October 10, TAM advised the Commission it had entered into a settlement agreement with FairPoint and its members were satisfied that their issues related to the merger had been resolved. TAM also advised that it supported merger approval as it related to TAM's membership's issues.

With respect to broader issues in Docket No. 2007-67, the parties explored the potential for settlement at various points throughout the proceeding. The Commission set aside a portion of the technical conference on August 10 to explore settlement, which time was used for parties and the Advisory Staff to express general principals and concerns relating to potential settlement. The Commission further set aside the dates of September 10 and 11 for settlement discussions. Discussions were held on those dates to which all active parties were invited. The parties attending the Settlement Conference included FairPoint, Verizon, the MPUC Advocacy Staff, the Office of the Public Advocate, GWI, and One Communications.

During the period in November between the filing of briefs and the issuance of the Examiner's Report in Docket No. 2007-67, FairPoint, Verizon, the Advocacy Staff and the Public Advocate engaged in active discussions with the intent of developing a framework for settlement that could be used for the expansion of discussions to other parties. No such framework was reached during this period, however, this process resumed later in November. As the discussions appeared to be moving in the direction of resolution of issues, notice of discussions and an invitation to join was sent to the parties to Docket No. 2007-67. Since the framework also addressed issues relating to the Verizon AFOR proceeding, Docket No. 2005-155, parties to that proceeding were also invited to participate, in particular the AARP and TAM. Active discussions among the parties continued through the execution of the Stipulation on December 12.

In Docket No. 2005-155, by Order dated October 3, 2007, the Commission accepted the Amended Stipulation that suspended further actions in 2005-155 proceeding and required Verizon to invest $12 million in DSL services. In addition, the Stipulation contained terms that govern the time frames associated with the suspension, the means by which the Commission may ensure that the terms of the stipulation are carried out, and specificity as to where the DSL investment will occur. The Stipulation filed herewith resolves the outstanding issues in Docket 2005-155, assuming that the Transaction in Docket No. 2007-67 is approved and closes.

Pursuant to the Commission's memo of February 3, 2006, regarding filing of Stipulations, we provide the following additional information:

1. The provisions of this Stipulation are the in public interest because they establish conditions for the reorganization that ensure that it is consistent with the interests of ratepayers and investors, and for the implementation of rates that are just and reasonable.

2. The Commission has general statutory authority to render a decision adopting this Stipulation under the statutory authority under which these proceedings are being conducted and under 5 M.R.S.A. §9053(2), which states that an agency may "make informal disposition of any adjudicatory proceeding by stipulation, agreed settlement or consent order."

3. The parties to the Stipulation have contacted or attempted to contact each other party that has not joined the Stipulation as of this time. Due to the short period of time between the completion of discussions and the filing of this Stipulation, we have not been able to determine the current specific positions that the nonparticipating parties intend to take with respect to the Stipulation, i.e. whether they intend to support or oppose the Stipulation, or whether they expect to take no position.

Finally, please note that Confidential Attachment A to the Stipulation, providing updated financial projections based the terms of the Stipulation, is confidential pursuant to the March 1, 2007 Protective Order in this proceeding, and is being distributed under separate cover to those parties entitled to receive such information.

If any additional information is required with regard to this Stipulation, please contact the parties.

Sincerely,

Joe Donahue

Joseph G. Donahue
Andrew Landry
Counsel for FairPoint Maine Telephone Companies

Enclosure
cc (via email):
Service Lists in Docket Nos. 2005-155 and 2007-67

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

STIPULATION

December 12, 2007

VERIZON NEW ENGLAND, INC.
D/B/A VERIZON MAINE, ET AL.
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.

Docket No. 2007-67

PUBLIC UTILITIES COMMISSION
Investigation into New Alternative Form of Regulation for Verizon Maine Pursuant to 35-A M.R.S.A. §9102-9103

Docket No. 2005-155

Verizon New England Inc., d/b/a Verizon Maine ("Verizon New England"), Northern New England Telephone Operations Inc. ("Telco"), Enhanced Communications of Northern New England Inc. ("Newco"), Northland Telephone Company of Maine, Inc., Sidney Telephone Company, Standish Telephone Company, China Telephone Company, Maine Telephone Company, and Community Service Telephone Co. (the latter six being referred to as the "FairPoint Maine Telephone Companies"), the Maine Office of the Public Advocate, the Intervenors who have signed this Stipulation and the Advocacy Staff ("Staff") of the Maine Public Utilities Commission ("Commission") hereby agree and stipulate as follows:

I. PURPOSE

The purpose of this Stipulation is to settle (except as provided explicitly herein) all issues in this proceeding, to avoid further proceedings on those issues and to expedite the Commission's consideration and resolution of the proceedings. The provisions agreed to herein have been reached as a result of information gathered through review of the Applicants' prefiled testimony and exhibits, both formal and informal discovery, testimony presented at hearings before the Commission, the Examiner's Report and discussions and negotiations among the parties.

II. PROCEDURAL BACKGROUND

On January 31, 2007, the Joint Applicants filed an application seeking issuance of a Commission order granting any and all approvals and authorizations required for the transfer of Verizon New England's local exchange and long distance businesses and the long distance businesses of certain affiliated companies of Verizon New England to FairPoint Communications, Inc. ("FairPoint"), the commencement of the provision of regulated telephone utility services by Telco and Newco, the discontinuance of regulated telephone utility service by Verizon New England and certain ancillary transactions.

The Commission docketed the submission as Docket No. 2007-67, assigned the case to a Hearing Examiner and appointed Advisory Staff and Advocacy Staff. The Hearing Examiner issued a Notice of Proceeding, Procedural Order and Notice of Opportunity to Intervene on February 2.

The following parties filed timely petitions to intervene and were granted intervention status: the Office of the Public Advocate (OPA); Communication Workers of America (CWA) and International Brotherhood of Electrical Workers (IBEW) Locals 2320, 2326, and 2327, and IBEW System Council T-6 (collectively Labor); the Eastern Maine Labor Council, AFL-CIO[1]; the CLEC Coalition (Mid-Maine Communications, Oxford Networks, and Pine Tree Networks); Biddeford Internet Corporation d/b/a Great Works Internet (GWI); One Communications (One); Cornerstone Communications, LLC; XO Communications Services, Inc.; Level 3 Communications, LLC; the Telephone Association of Maine (TAM); Pine Tree Telephone and Telegraph Company; Saco River Telegraph and Telephone Company; Oxford Telephone

1280261.6

Company, Oxford West Telephone Company, Oxford County Telephone Service Company and Revolution Networks, all d/b/a as Oxford Networks; Mid Maine Communications; Lincolnville Telephone Company; Tidewater Telecom, Inc.; Unitel, Inc.; U.S. Cellular Corporation; and the Department of Education and the Maine State Library.

On March 12, James Cowie, lead participant in a complaint docket dealing with Verizon's alleged participation in the National Security Agency's warrantless domestic wiretapping and data collection program, requested discretionary intervenor status in this case. The Hearing Examiner, on March 28, approved discretionary intervention, but limited Complainants' participation to argument regarding the need to and means of preserving the Commission's jurisdiction over the existing claims against Verizon in Docket No. 2006-274.

Technical Conferences were held on June 7, 8 and 12, 2007 to allow Advisory Staff and Intervenors the opportunity to perform discovery on FairPoint's and Verizon's joint application, prefiled testimony and responses to data requests. Additional Technical Conferences were held on August 9 and 10, 2007 covering to the prefiled testimony and data responses of Intervenor witnesses.

On September 10 and 11, 2007, a Settlement Conference was held in Portland, to which all parties were invited. The parties attending the Settlement Conference included: FairPoint, Verizon, the MPUC Advocacy Staff, the Office of the Public Advocate, GWI, and One Communications. This Stipulation is a product of a process that began at this time.

On July 24, 2007, Level 3 notified the Commission that it was withdrawing its petition to intervene and that it approved the proposed transaction without conditions. On October 10, TAM advised the Commission it had entered into a settlement agreement with FairPoint and its members were satisfied that their issues related to the merger had been resolved. TAM also advised that it supported merger approval as it related to TAM's membership's issues.

---

[1] Due to the limited information in the Eastern Maine Labor Council's (Council) petition to intervene regarding how this proceeding would have a direct and substantial impact on it, the Council was

Three well-attended public witness hearings were conducted during the month of September: September 18 in Fort Kent, with remote locations in Houlton and Presque Isle; September 20 in Bangor, and September 25 in Portland.

Evidentiary Hearings on the FairPoint, Verizon, and Intervenor filed testimony were conducted October 2-5 and 10. Briefs were filed on November 2, 2007. The Examiner's Report was issued on November 26, 2007 and Exceptions were filed on December 3, 2007.

During November and December, meetings and discussions occurred that culminated in the negotiation of this Stipulation.

In Docket No. 2005-155 (Verizon Maine AFOR) an Examiner's Report in the form of a draft Commission order was released on May 9, 2007, addressing, among other things, Phase I issues related to Verizon Maine's revenues, expenses and earnings under a traditional, rate-of-return mode of Commission regulation. During the period for writing exceptions, the Public Advocate and Verizon Maine discussed their differences with respect to the Examiner's Report that resulted in the filing of an Amended Stipulation, approved by the Commission by Order dated October 3, 2007. The Amended Stipulation reached no final decision on the merits of the issues but had the effect of staying for a time any final Commission decision.

III. STIPULATION PROVISIONS

The Parties to this Stipulation agree and recommend that the Commission order as follows:

1. <u>Approval of Application</u>. The Parties to this Stipulation agree that the Joint Application and accompanying exhibits filed on January 31, 2007, and the approvals and authorizations requested therein, satisfy the applicable statutory criteria and should be granted

---

granted discretionary intervention pursuant to Section 721 of Chapter 110.

by the Commission, by an order that approves, accepts and adopts this Stipulation and all of the provisions thereof.

2. Specific Approvals and Authorizations. The granting of the Joint Application shall include all authorizations, approvals, and findings requested in the Joint Application and the accompanying exhibits, including the following:

A. The reorganizations that result from Verizon New England's transfer of its assets, liabilities and customer relationships relating to its local exchange, intrastate toll and exchange access operations in Vermont, New Hampshire and Maine to Telco, a subsidiary of Verizon New England, as more fully described in more fully described in a Distribution Agreement between Verizon Communications and Spinco dated January 15, 2007, are consistent with the interests of the utilities' ratepayers and investors and shall be approved pursuant to 35-A M.R.S.A. § 708.

B. The reorganizations that result from NYNEX Long Distance, BACI, and VSSI's transfer of their accounts receivable, liabilities and customer relationships relating to their long-distance operations in Maine, New Hampshire and Vermont to Newco, a direct wholly-owned subsidiary of Spinco, through a series of intermediate transfers, are consistent with the interests of the utilities' ratepayers and investors and shall be approved pursuant to 35-A M.R.S.A. § 708.

C. The reorganizations that result from Verizon New England's transfer of the stock in Telco to Spinco through a series of intermediate transfers, such that Telco will become a direct, wholly-owned subsidiary of Spinco, are consistent with the interests of the utilities' ratepayers and investors and shall be approved pursuant to 35-A M.R.S.A. § 708.

D. The reorganizations that result from Verizon Communications' distribution of the stock of Spinco directly to the shareholders of Verizon Communications, such that Spinco (and therefore Telco and Newco) no longer will be subsidiaries of Verizon Communications, are consistent with the interests of the utilities' ratepayers and investors and shall be approved pursuant to 35-A M.R.S.A. § 708.

E. The reorganizations that result from Spinco's merger with and into FairPoint immediately following the distribution of the Spinco stock, are consistent with the interests of the utilities' ratepayers and investors and shall be approved under 35-A M.R.S.A. § 708.

F. The transfer of assets of Verizon New England to Telco shall be authorized pursuant to 35-A M.R.S.A. § 1101.

G. The discontinuance of service by Verizon New England shall be approved pursuant to 35-A M.R.S.A. § 1104.

H. The furnishing of service by Telco and Newco, is declared to be required by public convenience and necessity and shall be approved pursuant to 35-A M.R.S.A. §§ 2102 & 2105.

I. FairPoint and the individual Operating Subsidiaries shall be authorized to file initial schedules of rates, terms and condition conforming to the current schedules for local rates, terms and conditions of Verizon New England, Inc., which are presently on file with the Commission.

J. The provisioning of services and facilities between Telco and affiliated interests of Telco pursuant to the Verizon Cost Allocation Manual (CAM) on a temporary basis until completion of review of a permanent CAM and contracts with affiliated interests in accordance with Section III(3)(E)(8) of this Stipulation, shall be authorized pursuant to 35-A M.R.S.A. § 707.

K. Such other authorizations and approvals as are necessary to effectuate the transaction shall be granted.

3. Conditions of Approval. In addition to the approvals and authorizations set forth above, the Parties further agree to the following terms and conditions of approval:

A. Financial Conditions:

1. Capital Expenditures/Dividend Restriction. During the three years following the Closing Date, FairPoint shall make, on average, annual capital investments in Maine in the following minimum amounts:

First Year:	$ 48,000,000.00
Average of First Two Years:	$ 48,000,000.00
Average of First Three Years:	$ 47,000,000.00

To assure investment in the network occurs as projected by FairPoint, total dividend payments by FairPoint to its common shareholders following the two year anniversary of the closing will be reduced the following year by the amount in which the annual average capital expenditures made in Maine over the two years is less than $48 million, and dividends paid in the year following the three year anniversary will be reduced by the amount in which the annual average capital expenditures over the three-year period is less than $47,000,000.

2. Further Dividend Restrictions.

(a) Beginning with the first full quarterly dividend paid after the closing of the Merger, FairPoint shall reduce its aggregate annual dividends payable on common stock (currently $1.59 per share) by 35% which is effectively an annual reduction of approximately $49.7 million from current projected levels after the Merger. FairPoint shall not be allowed to subsequently increase its per share dividend until this limitation is terminated pursuant to paragraph 4.

(b) FairPoint shall not declare or pay any dividend on the common stock of FairPoint following the end of any three consecutive fiscal quarters during which the Leverage Ratio exceeds 5.50 (reduced to 5.0 at and after the fifth full calendar quarter following the Closing Date) or the Interest Coverage Ratio is less than 2.25. FairPoint shall use funds that would otherwise be available to pay dividends but for this restriction to first repay outstanding borrowings under its revolving credit agreement and second to prepay Term Loan borrowings (unless the loan agreements require a different order of payment) until such repayments reduce the debt as of the end of the last respective quarter such that the Leverage Ratio is reduced to 5.5 or 5.0, respectively. (There will not be any limitation on dividends paid during the first two full fiscal quarters following the closing beyond the reduction agreed to in paragraph 2(a).)

(c) FairPoint shall limit the cumulative amount of payments of dividends on its outstanding common stock (excluding the first two full quarterly dividend payments after the closing) to not more than the cumulative free cash flow (before dividends) generated from and after the Closing Date.

(d) The conditions in paragraphs (b) and (c) will not be effective until the third full fiscal quarter following the closing, to be consistent with the proposed credit agreement. For all purposes in this Stipulation Leverage Ratio shall be defined as the ratio of Total Indebtedness to Adjusted EBITDA. In calculating the Leverage Ratio, for purposes of this Stipulation, FairPoint shall use the outstanding gross debt amount reduced by any available cash balance, provided that the amount of cash netted against gross debt shall be no more than $25 million. The definitions of Total Indebtedness and Adjusted EBITDA shall be the same as those contained in FairPoint's current loan documents and as modified by the terms of the new loan documents.

3. Debt Reduction. Beginning in the first quarter of 2009, FairPoint agrees to pay the higher of $35,000,000 annually, or 90% of annual Free Cash Flow, to be applied equally in each fiscal quarter, towards the permanent reduction of the principal amount of the Term Loan. Free Cash Flow is defined as the cash flow remaining after all operating expenses, interest payments, tax payments, capital expenditures, dividends and other routine cash expenditures have occurred. (For the first full year of operations, this calculation would include all adjustments permitted by the current and the new loan documents.)

4. Termination of Financial Conditions. The requirements and conditions in paragraphs 2(a), (b) & (c) and 3, above, shall terminate upon FairPoint achieving a Leverage Ratio of 3.5 for any three consecutive fiscal quarters, provided that if within two years of the end of such three consecutive fiscal quarters achieving the Leverage Ratio of 3.5, the Leverage Ratio exceeds 4.0 for any three consecutive quarters, the limitations and conditions in paragraphs 2(a), (b) & (c) and 3 will become effective and remain effective until the earlier of five years after the end of such three consecutive fiscal quarters achieving a Leverage Ratio of 3.5 or ten years after the closing date. In any event, the limitations and conditions in paragraphs 2(a), (b) & (c), 3 and 4 shall terminate no later than ten years after the closing date. (For the purpose of clarity, if over the ten year period FairPoint does not achieve the Leverage Ratio of 3.5 for three consecutive quarters, the limitations and conditions remain in effect over the entire ten year period.)

It is noted by the Parties to the Stipulation that FairPoint's Discovery Model as adjusted to reflect the conditions in the Stipulation indicates that FairPoint is expected to achieve the Leverage Ratio of 3.5 by 2011. A copy of the summary page of the results of this scenario is included in Stipulation Confidential Attachment A, which is being provided under separate cover subject to Protective Order in Docket No. 2007-67. The parties' consideration of the model scenarios provided by FairPoint does not indicate agreement with the model itself or the model scenarios.

5. Working Capital Adjustment. Verizon will provide at or before closing a contribution to Spinco that will increase Spinco's working capital in the amount of $235.5 million in addition to the amount specified for working capital in the Distribution Agreement as of the date hereof. FairPoint shall use $235.5 million to repay permanently (or otherwise not incur), not later than 30 days after the closing of the Merger, the Term Loan or the Spinco Securities issued or incurred at closing. In addition, Verizon agrees it will not offset against the required working capital contribution any portion of the $12,000,000 commitment Verizon incurred by way of a stipulation with the OPA in the pending Verizon Maine AFOR proceeding (Docket No. 2005-155) to deploy additional broadband services prior to the closing. Verizon has agreed to incur the full $12,000,000 obligation to expand DSL services pursuant to the Stipulation in Docket No. 2005-155 prior to the closing of Merger (or to leave the balance of monies not incurred in escrow for FairPoint to complete the project) and will not seek reimbursement from FairPoint.

In addition, within 30 days of closing Verizon will make a one-time cash contribution in the amount of $2.5 million to the ConnectME Authority in furtherance of the Authority's statutory objectives.

B. DSL Commitment:

FairPoint shall expand DSL Availability in Maine to reach the 83% addressability of Maine access lines within two years of the closing of the Merger.

As part of a comprehensive resolution of all issues pending in this Docket and in Docket No. 2005-155 (the Verizon Maine AFOR proceeding), FairPoint agrees that during the 5-year period beginning upon closing, FairPoint shall spend not less than an additional $40,000,000 (in excess of the $12,000,000 expenditure by Verizon pursuant to the Amended Stipulation approved in Docket No. 2005-155 and the estimated $17,550,000 expenditure by FairPoint in implementing the two-year DSL deployment plan submitted to the Maine PUC as part of its filings in Docket No. 2007-67) for the purchase and installation of equipment and related infrastructure necessary to further expand the availability of broadband services to locations in Maine, with the goal of attaining 90% DSL addressability by the end of the five year period. FairPoint further agrees that by the end of the five-year period it will reach 82% overall addressability for FairPoint access lines in UNE Zone 3. To the extent that the goal of attaining 90% DSL addressability is not achieved by the end of such five-year period, FairPoint shall make additional investment as necessary to achieve such goal. To the extent any of the $40,000,000 is not expended by the end of the five year period, FairPoint shall contribute the unexpended funds to the ConnectME Authority. During the five year period under this paragraph, FairPoint shall file quarterly reports with the Commission regarding its broadband deployment activities containing the type of information required of Verizon under Section 3 of the Amended Stipulation of August 8, 2007 in Docket No. 2005-155.

FairPoint agrees that any of the facilities constructed with funds derived from either the $17,500,000 or $40,000,000 committed by FairPoint or the $12,000,000 committed by Verizon, as referenced in the preceding paragraph, that are part of the incumbent local exchange carrier (ILEC) network shall be made available to competitors as Unbundled Network Elements (UNEs) to the same extent that "legacy" ILEC network facilities are required to be made available on a UNE basis.

Further, the parties hereby request that the PUC direct that any money spent by FairPoint on equipment and infrastructure for the expansion of broadband services within the UNE-3 zones shall not be expended for customer locations currently served or publicly scheduled to be served within 12 months by broadband providers funded by the ConnectME Authority in order to ensure the success of the broadband initiative of the ConnectME Authority and the public policy underlying such initiative, and that the Commission shall retain the authority to and shall review the effect of such restrictions on broadband construction to ensure that any competitive limitations continue to serve the public policy objectives of the ConnectME Authority, the Commission and the State of Maine and to revise these provisions in accordance with its findings.

FairPoint agrees that at the time of closing, FairPoint will maintain all prices and speeds offered by Verizon for broadband Internet access service, including the provision of standalone DSL service, and that standalone DSL service shall continue to be available for a period of two years following closing and at a month-to-month price not to exceed $37 per month. FairPoint will not increase the prices for broadband services for two years following closing provided the Commission does not seek to alter, amend or reduce any of FairPoint's prices for services that are subject to the Commission's regulation. All promotional rates offered by Verizon will be evaluated by FairPoint on a regular basis and are subject to modification; provided that FairPoint will adhere to all terms and conditions of Verizon's $15 per month "for life" rate for 768 kbs access speeds to existing subscribers to this offer at closing. In addition, FairPoint shall not increase its monthly rates for basic (768 kbs) DSL service ("DSL Light") beyond the monthly rates currently offered by Verizon ($15 for a two year contract, $18 for a one year contract) for a period of two years following closing.

C. AFOR Settlement:

As part of a comprehensive resolution of all issues pending in this Docket and in Docket No. 2005-155, upon closing, FairPoint shall adopt in Maine all currently effective rates of Verizon, and the current provisions of the Verizon Maine AFOR (including current service quality performance standards) shall be applicable to FairPoint, provided that there shall be a two year ramp up to the current SQI benchmarks for network troubles and reported troubles not cleared within 24 hours, such that FairPoint will achieve compliance with these two performance standards at the end of the 2010-2011 reporting period. FairPoint agrees to file a compliance plan for achieving the current SQI benchmarks for network troubles and reported troubles not cleared within 24 hours within 60 days of the Commission's approval of this agreement and include in the plan proposed interim standards during the ramp up period and a series of graduated penalty dollars associated with the milestones identified in the compliance plan. FairPoint agrees that beginning with the annual SQI report that FairPoint will file for the 2008-2009 reporting period, the penalty mechanism recommended in the Examiner's Report in Docket No. 2005-155 shall be applied on a prospective basis to any performance category for which FairPoint has failed to achieve its performance benchmark in two consecutive years. The increased penalty mechanism shall be terminated and the previous penalty mechanism shall be reinstated if the performance benchmark for that metric is satisfied for two consecutive years. Effective August 1, 2008, FairPoint shall implement reductions to the monthly rate caps for basic residence and business service under the adopted Verizon Maine AFOR by an amount determined by dividing $18,000,000 by Telco's March 31, 2008 access lines for basic residence and business service (excluding access lines packaged in any bundle of service and business Centrex or special contracts services), divided by 12. The current AFOR as adopted by FairPoint (including the reduced cap and the mutual stayout on initiating any rate of return-based earnings investigation) shall remain in effect for a period of 5 years after August 1, 2008. This provision, as well as FairPoint's commitment on DSL above, shall be in full and complete settlement of all outstanding issues in the pending Verizon Maine AFOR proceeding, Docket No. 2005-155, Phases I and II, and shall not constitute precedent with respect to the issue of any revenue requirement issue, including but not limited to the imputation of yellow page directory revenues, in determining the revenue requirement of FairPoint-Maine, which may be raised and addressed in a future general rate proceeding subsequent to the expiration of the five-year term of the adopted FairPoint AFOR described above.

D. Labor Matters:

Verizon shall not be required to waive the six-month no-hire provision in the Employee Matters Agreement.

FairPoint has already agreed in the Employee Matters Agreement to honor existing collective bargaining agreements with respect to matters that are within FairPoint's control, and is willing to extend such agreements on generally the same conditions in the current agreements for a period of at least two years. These conditions would include plans that mirror all compensation and benefit plans, including medical and retirement benefits. In addition, FairPoint will offer employment to the Verizon employees being laid off in the Bangor wireless call center pursuant to a written agreement with Verizon.

E. Additional Matters:

1. FairPoint will adhere to its commitments on retail rates and treatment of wholesale customers, as set forth in its Brief in this Docket. Furthermore, FairPoint agrees to the following Recommended Conditions in the Examiner's Report to the extent

indicated on Stipulation Attachment B:

V-D-3
V-D-4
V-D-5
V-D-6
V-D-7
V-D-8
VI-B-2
VI-B-4
VI-D-5
VI-C-3(b)
VII-3
VII-6
VIII-3
IX-1
X-2

Provided that FairPoint's agreement to V-D-3, V-D-6, VI-B-4 and VI-C-3(b) are subject to the limitations or explanations indicated in Attachment B, which limitations and explanations are subject to the Commission's decision.

2. FairPoint will cause Telco to continue to offer to residential and business retail customers a local exchange, stand-alone basic service. Telco will not seek Commission approval for an increase in Maine basic exchange rates to take effect during the five-year AFOR period following the Closing Date, and the OPA agrees not to seek a reduction to such rates to take effect during such period.

3. To the extent that a final and non-appealable federal court order determines that the Commission may proceed with its investigation in Docket No. 2006-274, relating to allegations that Verizon New England participated in an alleged foreign intelligence program of the National Security Agency involving customer records, Verizon New England agrees that it will not rely upon this transaction as a basis to contest the jurisdiction of the Commission to conduct such investigation consistent with the terms of the Court's order.

4. FairPoint has agreed to a third party monitor for the Transition Services Agreement cutover process, pursuant to scope of work established by state commissions, to be paid for by FairPoint.

5. FairPoint agrees to provide monthly reports to the Commission beginning immediately to provide the staffing status for FairPoint's northern New England service area, with particular emphasis on adequacy of technical skills for workers being placed in new positions due to any significant departure of experienced staff in the period six months before, to six months after, close of the transaction. The report shall include training plans and progress associated with bringing workers in new technical positions up to adequate skill levels.

6. FairPoint agrees to provide the PUC after closing with the financial information reporting as recommended in the Examiner's Report.

7. FairPoint agrees to provide all Section 251 services required by the FCC, as these may change from time to time. Further, FairPoint agrees to provide all Section 271 services applicable to BOCs, as these may change from time to time, and as explicitly defined as Section 271 services by the FCC. FairPoint continues to believe there is no basis to require that it be deemed a BOC but acknowledges such status as a BOC may be decided by the Commission on the basis of the arguments in the Briefs and Exceptions of the Parties in the proceeding. GWI continues to press its position that any approval should be conditioned on FairPoint's agreement that it will not dispute in any forum the assertion of Section 271 checklist obligations based solely upon the argument it is not a BOC.

8. FairPoint agrees that upon closing Telco will adopt the Cost Allocation Manual of Verizon New England (Verizon CAM) and shall comply with said Verizon CAM with respect to the allocation and assignment of costs between Telco and its affiliates. Telco shall not be required to submit written agreements regarding the provision of

services for the Commission's approval under 35-A M.R.S.A. § 707 until six months after closing, provided that Telco complies with the Verizon CAM. Within six months after the closing, Telco will submit for the Commission's approval under Section 707 all proposed agreements between Telco and its affiliates for the provision of services. At that time, Telco shall also submit for the Commission's review its proposed, amended CAM for use in the future (which may consist of a proposed continuation of the Verizon CAM). The proposed CAM shall include all policies, procedures, and agreements governing services provided between and among FairPoint affiliates, in a manner consistent with 35-A M.R.S.A. § 713. Such CAM shall assure that cost of developing the FairPoint systems used to replace the Verizon systems by Cutover are appropriately allocated to Telco and that adequate compensation is provided to Telco by any other FairPoint affiliates that might use these systems or any of Telco's facilities. FairPoint reserves the right to take the position upon submission of the CAM that there should be a single CAM effective for all three states. FairPoint's submission shall also include a detailed budget pro forma of charges to and from affiliates for the three-state operation (and the individual states), for 2008, including the actual cost basis for the charge at its originating location. FairPoint shall provide a copy of its submission to the Office of the Public Advocate.

9. FairPoint agrees that for one year following cutover, and for any period thereafter during which the Leverage Ratio exceeds 4.0 for three consecutive quarters, FairPoint will not consummate any business acquisition with a transaction value of the acquired business in excess of $100 million without Commission approval, unless FairPoint requests and is granted an exemption from approval of the acquisition under 35-A M.R.S.A. § 708. This condition shall be effective for three years following closing.

10. FairPoint agrees to provide near-final drafts of the debt agreements no later than one month prior to close to the Commission for the information of the

Commission. To the extent the drafts define "Total Indebtedness" and "Adjusted EBITDA" in a manner different than the definition of those terms in Section A(2), FairPoint shall call such differing definitions to the attention of the Commission in its filing. FairPoint will assure that said debt agreements do not provide for the guaranty of said debt by any of its Maine ILEC operating companies or for securing said debt by a security interest in the assets of said ILEC operating companies.

11. In the first general rate case for Telco, Telco's rates may not reflect higher capital costs based on FairPoint's potentially higher risk level and potentially higher average weighted cost of capital, and ratepayers shall be held harmless from capital costs that exceed Verizon's average weighted cost of capital.

12. FairPoint agrees that it will conduct an analysis of whether there are potential benefits of seeking a waiver of the "parent trap" rule. If the analysis shows potential benefits and FairPoint does not pursue such a waiver, FairPoint shall provide the PUC with an explanation of its decision.

13. Recommended Conditions in Examiner's Report Not Resolved by Stipulation. The adoption of the following Recommended Decisions is not resolved by this Stipulation and will be decided by the Commission on the basis of the arguments in the Briefs and Exceptions of the Parties in this proceeding.

VI-B-3
VI-C-4 (b)
VIII-5
XIII-1
XIII-2

FairPoint's position on these Recommended Decisions and the extent to which FairPoint accepts the Recommended Condition are indicated in Attachment B.

14. Wholesale Issues Not Resolved by Stipulation. The wholesale issues in this proceeding (Group III-A) are not resolved by this Stipulation and will be decided by the Commission on the basis of the arguments in the Briefs and Exceptions of the

Parties in this proceeding. FairPoint's position in the Recommended Decisions in the Examiner's Report and the extent to which FairPoint accepts any of these Recommended Decisions are indicated in Attachment B, Section VI-A.

15. FairPoint represents and warrants that it has not entered into any separate undisclosed agreements with Verizon which conflict with this Stipulation, including any agreement by which FairPoint compensates Verizon or Verizon compensates FairPoint with respect to any of the provisions of this Stipulation.

IV. PROCEDURAL PROVISIONS

1. Timing and Conditions: The Stipulation shall be approved without modification or additional condition and on a timely basis to permit closing on January 31, 2008 (assuming receipt of other applicable regulatory approvals).
2. Record. The record on which the Commission may base its determination whether to accept and approve this Stipulation shall consist of this Stipulation, all documents provided by in the form of prefiled testimony and exhibits and responses to data requests in this proceeding, the transcript of any hearing that was or may be held on this Stipulation, all exhibits introduced at any such hearing, and any other material furnished by Staff to the Commission, either orally or in writing, at the time of the Commission's consideration of this proceeding.
3. Non-Precedential Effect. The Stipulation shall not constitute an admission by an executing party of any factual or legal issue or matter, nor be considered legal precedent, and neither this document nor the settlement discussions that led to it shall be used as evidence in any proceeding unrelated to the enforcement of this Stipulation, nor shall it preclude a party from raising any issues in any future proceeding or investigation on similar matters subsequent to this proceeding.

4. Stipulation as Integral Document. This Stipulation represents the full agreement between all parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole and the Stipulation shall thereafter be null and void.
5. The parties executing this Stipulation agree not to (i) propose that the Commission require any condition at variance with those expressly provided for or allowed by this Stipulation in connection with the approval of the Merger or modify any condition contained herein, or (ii) directly or indirectly support the request by any other party or intervenor to require the imposition of any further condition or the modification of any condition.
6. The parties to this Stipulation agree to devote their best efforts towards approval of the proceeding on the terms set forth herein and each party agrees not to take any actions in any forum that would reasonably appear to contradict or diverge from the terms set forth in this Agreement. In the event that the Merger does not close or this Stipulation and its terms are not adopted by the Commission in their entirety and without modification, this Stipulation and all of the terms and conditions contained herein shall be null and void.
7. Immediately prior to the Merger closing, Verizon, Spinco and FairPoint shall amend their transaction agreements to the extent required to reflect the applicable terms expressly set forth herein.

WHEREFORE, the parties have caused this Stipulation to be duly executed in their respective names by their representatives as of the date first above written, each being fully authorized to do so.

<table>
<tr><td>FOR VERIZON NEW ENGLAND,
NEWCO, AND TELCO:

____
Printed Name:</td><td>FOR FAIRPOINT MAINE
TELEPHONE COMPANIES:

Joseph G. Donahue
Printed Name: Joseph G. Donahue</td></tr>
<tr><td>FOR THE MAINE OFFICE OF
THE PUBLIC ADVOCATE:

____
Printed Name:</td><td>FOR THE MPUC ADVOCACY
STAFF:

____
Printed Name:</td></tr>
<tr><td>FOR

____
Printed Name:</td><td>FOR

____
Printed Name:</td></tr>
<tr><td>FOR

____
Printed Name:</td><td>FOR

____
Printed Name:</td></tr>
<tr><td>FOR

____
Printed Name:</td><td>FOR

____
Printed Name:</td></tr>
</table>

WHEREFORE, the parties have caused this Stipulation to be duly executed in their respective names by their representatives as of the date first above written, each being fully authorized to do so.

FOR VERIZON NEW ENGLAND, NEWCO, AND TELCO:	FOR FAIRPOINT MAINE TELEPHONE COMPANIES:
Printed Name: Donald W. Boecke, Counsel	Printed Name:
FOR THE MAINE OFFICE OF THE PUBLIC ADVOCATE:	FOR THE MPUC ADVOCACY STAFF:
Printed Name:	Printed Name:
FOR	FOR
Printed Name:	Printed Name:
FOR	FOR
Printed Name:	Printed Name:
FOR	FOR
Printed Name:	Printed Name:

WHEREFORE, the parties have caused this Stipulation to be duly executed in their respective names by their representatives as of the date first above written, each being fully authorized to do so.

FOR VERIZON NEW ENGLAND, NEWCO, AND TELCO:

Printed Name:

FOR FAIRPOINT MAINE TELEPHONE COMPANIES:

Printed Name:

FOR THE MAINE OFFICE OF THE PUBLIC ADVOCATE:

Wayne Jortner

Printed Name: Wayne Jortner

FOR THE MPUC ADVOCACY STAFF:

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

WHEREFORE, the parties have caused this Stipulation to be duly executed in their respective names by their representatives as of the date first above written, each being fully authorized to do so.

FOR VERIZON NEW ENGLAND, NEWCO, AND TELCO:

Printed Name:

FOR FAIRPOINT MAINE TELEPHONE COMPANIES:

Printed Name:

FOR THE MAINE OFFICE OF THE PUBLIC ADVOCATE:

Printed Name:

FOR THE MPUC ADVOCACY STAFF:

Printed Name: Andrew S. Hagler

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

WHEREFORE, the parties have caused this Stipulation to be duly executed in their respective names by their representatives as of the date first above written, each being fully authorized to do so.

FOR VERIZON NEW ENGLAND, NEWCO, AND TELCO:

Printed Name:

FOR FAIRPOINT MAINE TELEPHONE COMPANIES:

Printed Name:

FOR THE MAINE OFFICE OF THE PUBLIC ADVOCATE:

Printed Name:

FOR THE MPUC ADVOCACY STAFF:

Printed Name:

FOR CORNERSTONE COMMUNICATIONS:

Printed Name: ANDREW H. HINKLEY

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

FOR

Printed Name:

WHEREFORE, the parties have caused this Stipulation to be duly executed in their respective names by their representatives as of the date first above written, each being fully authorized to do so.

FOR VERIZON NEW ENGLAND, NEWCO, AND TELCO:	FOR FAIRPOINT MAINE TELEPHONE COMPANIES:
Printed Name:	Printed Name:
FOR THE MAINE OFFICE OF THE PUBLIC ADVOCATE:	FOR THE MPUC ADVOCACY STAFF:
Printed Name:	Printed Name:
FOR Biddeford Internet Corp. d/b/a Great Works Internet	FOR
Frederick Samp	
Printed Name: Frederick Samp	Printed Name:
FOR	FOR
Printed Name:	Printed Name:
FOR	FOR
Printed Name:	Printed Name:

WHEREFORE, the parties have caused this Stipulation to be duly executed in their respective names by their representatives as of the date first above written, each being fully authorized to do so.

FOR VERIZON NEW ENGLAND, NEWCO, AND TELCO:	FOR FAIRPOINT MAINE TELEPHONE COMPANIES:
______________________	______________________
Printed Name:	Printed Name:
FOR THE MAINE OFFICE OF THE PUBLIC ADVOCATE:	FOR THE MPUC ADVOCACY STAFF:
______________________	______________________
Printed Name:	Printed Name:
FOR	FOR
______________________	______________________
Printed Name:	Printed Name:
FOR	FOR
______________________	______________________
Printed Name:	Printed Name:
FOR OXFORD NETWORKS	FOR
______________________	______________________
Printed Name: BRIAN PAUL	Printed Name:

ATTACHMENT B

Conditions Recommended in Examiner's Report

Financial and Transactional Issues

V-D-1	Require the transaction to be restructured to reduce FairPoint's bond debt by $600 million.	Resolved by Stipulation
V-D-2	Require FairPoint to immediately reduce the dividends it pays to its shareholders by $42 million.	Resolved by Stipulation
V-D-3	Require FairPoint to file the "near final" loan agreements for Commission review and approval prior to closing with the Commission reserving the right to impose additional mitigating conditions if the terms materially change.	FairPoint agrees to provide the near-final loan agreements for information of Commission (to be decided by Commission).
V-D-4	Require FairPoint to provide detailed quarterly and annual financial results as well as copies of all financial filings made with the FCC and SEC.	FairPoint agrees
V-D-5	Establish a specific annual report form for FairPoint.	FairPoint agrees
V-D-6	Allow FairPoint to temporarily adopt Verizon's CAM conditioned on FairPoint filing with the Commission within one month of closing a report that provides a detailed description of how the Verizon CAM will be used specifically by FairPoint in allocating costs.	FairPoint agrees (to file report within one month after closing).
V-D-7	Require FairPoint, as part of its annual report, to include a spreadsheet, chart or other form that shows all revenues and charges to or from its regulated ILEC operations in Maine to any affiliated interest.	FairPoint agrees
V-D-8	Prohibits FairPoint from recovering an acquisition premium or transaction costs from Maine ratepayers and make clear the appropriate capital structure for rate making purposes will be determined in any future rate case involving FairPoint's Maine operations.	FairPoint agrees

Wholesale Issues – (all issues to be decided by Commission)

VI-A-1	Consider FairPoint to be a successor and assign of Verizon and, therefore, subject to the requirements of section 271 as well as all other obligations applicable to BOCs.	FairPoint disagrees. (See Section IV-B of Exceptions)
VI-A-2	Require FairPoint, upon request, to extend all the terms of its interconnection agreements by at least two years.	FairPoint agrees to a one-year extension. Extension for a longer period should be tied to commitments in comprehensive settlement agreement, which are available to all CLECs, and which contain reasonable trade-offs by CLECs as well as FairPoint.
VI-A-3	Require FairPoint to file an updated version of Verizon's wholesale tariff within a year of closing.	FairPoint agrees
VI-A-4	Require FairPoint to abide by section 251 and impose a three-year freeze on section 251 UNE rates.	FairPoint will agree to abide by 251, but 3-year rate freeze should be tied to adoption of comprehensive settlement conditions. (See VI-A-2 above.)
VI-A-5	Prohibit FairPoint from seeking either a section 251(f)(1) or 251(f)(2) exemption.	FairPoint agrees
VI-A-6	Require FairPoint to provide access to unbundled switching, DS3 local loops in Portland, DS3 and dark fiber transport between Portland and Bangor as well as any future loops and transport/dark fiber routes that attain non-impaired status under section 251.	FairPoint agrees subject to clarification that "switching" excludes packet switching, as to which the FCC forbore for all ILECs (including the BOCs under 271).
VI-A-7	Require FairPoint to abide by the terms of the District Court's Remand Proceeding as it relates to line sharing and dark fiber loops.	FairPoint agrees to abide by Order to the extent Verizon would be required to abide.
VI-A-8	Require FairPoint to file copies of any agreements which create ongoing obligations pertaining to "resale, number portability, dialing parity, access to rights-of-way, reciprocal compensation, interconnection, unbundled network elements or collocations" with the Commission for a period of at least three years.	FairPoint agrees solely so provided that the Commission clarifies that agreements will be kept confidential.

VI-A-9	Require FairPoint to participate in, and abide by, the Commission's Rapid Response Process, which includes jurisdiction over any operational disputes involving section 271 UNEs.	FairPoint agrees, subject to any "operational disputes" being decided by the PUC applying federal standards, and that the parties may seek review of any such decision, and the reviewing court also should apply federal precedent (as set forth in the proposed comprehensive settlement conditions)
VI-A-10	Require FairPoint to abide by the terms of Verizon's PAP until FairPoint and the CLECs develop a more simplified PAP.	FairPoint agrees
VI-A-11	Require FairPoint to freeze access rates for three years.	FairPoint agrees, provided that this is a "cap" rather than "freeze" on interstate and intrastate special access rates
VI-A-12	Require both FairPoint and Verizon to pro-rate any volume commitments related to wholesale services.	FairPoint agrees
VI-A-13	Prohibit FairPoint from counting MCI fiber-based collocations for impairment purposes under section 251 for a period of three years.	FairPoint agrees to this as part of a comprehensive settlement proposal; it should not be adopted without the corresponding CLEC commitments. (See VI-A-2 above.)
VI-A-14	Require FairPoint to file a monthly status report regarding progress in putting together the Pole Licensing and Administration Group and set April 1, 2007 as the deadline for FairPoint to be ready to assume pole licensing and administration duties.	FairPoint agrees, subject to being effective at cutover (not closing).
VI-A-15	Require FairPoint to refrain from filing petitions for forbearance with the FCC for a period of three years.	FairPoint agrees to this as part of a comprehensive settlement proposal and it should not be adopted without the other aspects of the proposal; In addition, the Commission should clarify that only petitions for relief from 251 or 271 obligations are covered by this restriction; Further, the PUC should clarify that FRP need not wait until the end of the 3-year period to file forbearance petitions, only to give effect to them (it typically takes the FCC 15 months to act on such petitions)

Back Office Systems

VI-B-1	Require Verizon to offer its TSA services to FairPoint at a price equal to $0 per month for 6 months, if necessary, after closing. If after six months FairPoint still requires use of the TSA services, then Verizon will be allowed to begin charging fees consistent with those currently included in Schedules A-D of the TSA.	Resolved by Stipulation
VI-B-2	Require FairPoint, as a condition of approval, to fulfill its commitment related to a third-party monitor, i.e., to fund and cooperate as necessary to allow the consultant to fulfill in a meaningful way, the Scope of Work identified in Advisors Exh. 338.	FairPoint agrees
VI-B-3	Retain the right to suspend and investigate FairPoint's readiness for cutover based upon material defects or deficiencies identified by the consultants or comments received by the parties.	FairPoint disagrees. See Section V(C) of Exceptions. (To be decided by Commission).
VI-B-4	Require FairPoint to compensate CLECs, if a CLEC brings and successfully defends its claim, for unreasonable costs in moving from the Verizon to the FairPoint systems.	FairPoint agrees, subject to criteria, to be established after approval of the transaction, pursuant to a process approved by the Commission, to assure compensation for claims only with significant merit. (To be decided by Commission).
VI-B-5	Prohibit FairPoint from charging its CLEC customers for training that is specific to understanding or interacting with its new systems and interfaces for a period of six months after cutover.	FairPoint agrees

Broadband

VI-C-1	Require FairPoint to increase the investment currently committed to its broadband expansion plan, from $17.55 million, to $28 million.	Resolved by Stipulation
VI-C-2	Require FairPoint to focus the additional investment ($10.45 million) in rural areas, preferably unserved by other broadband delivery technologies	Resolved by Stipulation

VI-C-3(a)	Require Verizon, as a condition of its request for abandonment, to pay the entirety of the $12 million in additional broadband investment it agreed to make in Docket No. 2005-155, without seeking, or receiving, reimbursement, either directly or indirectly, from FairPoint.	Resolved by Stipulation
VI-C-4(a)	Forbid FairPoint from compensating Verizon, either directly or indirectly, for the $12 million in DSL investments related to Docket No. 2005-155.	Resolved by Stipulation
VI-C-3(b)	Require FairPoint to price its broadband-related services at statewide rates, without differences between urban, suburban or rural wire centers. All promotional and standard offerings should be available to all of FairPoint's Maine-based customers at the same prices, terms and conditions.	FairPoint agrees, subject to FairPoint's ability to request modification of condition in future. (To be decided by Commission).
VI-C-4(b)	For a period of at least three years from closing, FairPoint will provide all DSL-related services from a subsidiary separate and apart from the regulated telephone enterprise. The separate subsidiary will purchase all DSL-related functionalities from the regulated utility at a rate equal to ****BEGIN SUPER COMPETIVIELY CONFIDENTIAL** **END SUPER COMPETITIVELY CONFIDENTIAL**** per line, per month. To the extent that FairPoint, at any time during this period, believes that the "transfer rate" identified above should be adjusted, based upon changes in cost incurred by the regulated enterprise in providing the necessary functionality, FairPoint may petition the Commission to review the rate and if necessary, approve a different rate. The Commission may, at its discretion, extend the period within which FairPoint is required to maintain this arrangement for one additional 3-year period.	FairPoint disagrees with this condition (See Section IV-A of Exceptions) (to be decided by Commission)

VI-C-5	For a period of at least three years from closing, FairPoint will provide, where it has the facilities to do so, its DSL products on a stand-alone basis. Specifically, FairPoint will not include requirements that consumers also purchase its telecommunications services or any other services it offers as a condition of purchasing DSL services. During this period, FairPoint's stand-alone DSL service will not exceed the effective transfer price described above, plus 25%. The Commission may, at its discretion, extend the period within which FairPoint is required to maintain this arrangement for one additional 3-year period.	Resolved by Stipulation

Service Quality

VII-1	Require Verizon to grant FairPoint permission to hire former Verizon employees without any waiting period.	Resolved by Stipulation
VII-2	Require Verizon to continue to provide services pursuant to the TSA at a reduced cost beyond the six month no cost period recommended in the Back Office Systems Section above (Section VII(C)) until such time that FairPoint can hire employees to replace the employees who choose to retire.	Resolved by Stipulation
VII-3	Require FairPoint to develop a plan to address the potential loss of experienced workers.	FairPoint agrees
VII-4	Require Verizon/FairPoint to submit a monthly report depicting key call center statistics beginning immediately after the close as well as require Verizon to continue answering customer calls at no cost after the six month TSA period if Verizon fails to meet the call center metrics contained in the staff recommended SQI during the six month TSA period. Verizon should continue to answer customer calls on FairPoint's behalf until such time as it complies with the call center metrics for at least three consecutive months.	Resolved by Stipulation

VII-5	Require FairPoint to comply with the Recommended SQI from Docket No. 2005-155.	FairPoint does not agree. FairPoint will agree to current SQI including current penalty provisions, subject to two-year ramp up of penalties for network troubles and out of service over 24 hours. (To be decided by Commission).
VII-6	Require FairPoint to meet the specific commitments it has made regarding hiring additional staff, refurbishing wire centers, and prioritizing repair dispatches.	FairPoint agrees.
VII-7	If the Commission does not accept OPA's recommendation to reduce the sales price by $600 million, require Verizon to place funds in an escrow account sufficient to cover the cost of completing the necessary wire center refurbishments.	Resolved by Stipulation
VII-8	If the Commission decides an SQI is not necessary as a condition, require Verizon to improve its performance regarding the "Repair Reports Not Cleared in 24 Hours – Residential" service quality metric through the creation of the escrow account referenced above.	Resolved by Stipulation

Federal Regulatory

VIII-1	Require FairPoint to obtain a waiver of the FCC's price cap rules before the Transaction closes.	FairPoint does not agree. FairPoint has requested a waiver of the All-or-Nothing rule from the FCC, and expects a decision prior to the January 2008 closing date. However, FRP has no control over when and whether the FCC will grant the petition, and in any event closing should not be held up merely because of a federal price cap waiver. FairPoint will inform the PUC as soon as it hears from the FCC, and if the FCC denies the waiver, that FairPoint inform the PUC of its alternative plans. (To be decided by Commission).
VIII-2	Prohibit FairPoint from increasing its access rates, including special access rates or SLC rates, above those currently allowed for Verizon for four years - even if FairPoint is required to file its own rates.	FairPoint disagrees with any conditions on any interstate access charges other than the 3-year cap on rates for special access circuits, addressed above. (Issue to be decided by Commission).

VIII-3	Encourage FairPoint to lobby the FCC for changes to the rural support mechanism and the high-cost benchmark.	FairPoint agrees.

ETC Status

IX -1	As a condition of being granted ETC status, FairPoint must: 1) provide the nine services supported by the USF that are required of ETCs; 2) advertise the availability of, and prices for, such services; 3) offer Lifeline and Link-Up to customers and 4) use the USF funds it receives in compliance with 47 U.S.C. § 254(e).	FairPoint agrees

Privacy Policy

X-1	Require Verizon to continue to be subject to the Commission's jurisdiction for purposes of the existing claims in the *NSA Proceeding*. In the alternative, require Verizon to indemnify FairPoint for any penalties that the Commission might impose if the *NSA Proceeding.*	Resolved by Stipulation
X-2	Require FairPoint to review its privacy policy and practices to specifically consider whether changes may be necessary and report back to the Commission in six months.	FairPoint agrees