

THE PROPOSED FAIRPOINT-VERIZON TRANSACTION

Transaction Specific Public Interest Harm	One Communications' Proposed Condition	Insufficiency of Related FairPoint's Proposal/Voluntary Commitment/Settlement Term, If Any, in State Commission Proceeding(s)
<p>The Merged Firm has the incentive to refuse to honor Verizon's existing contractual and tariffing obligations to wholesale customers or to otherwise cease to offer wholesale services on the terms and conditions offered by Verizon.</p>	<p>FairPoint will assume all of Verizon's inter-carrier contracts, including all interconnection agreements, in effect in the Northern New England region. Where it is not possible for these agreements to be assigned to FairPoint, FairPoint will execute contracts with substantially the same rates, terms, and conditions. FairPoint will agree to extend in writing all such agreements for one year beyond their stated expiration dates or three years from the transaction closing, whichever is later.</p>	<p>FairPoint has proposed that inter-carrier contracts for all CLECs in VT and parties to the "Four-CLEC Settlement" in NH be extended for three years but (1) inter-carrier contracts for all other CLECs in NH and all CLECs in ME would be extended for only one year, and (2) the proposal is not even legally binding at this point.</p>
<p>Same as above</p>	<p>For interconnection and other inter-carrier agreements that have expired and are renewed only on a month-to-month basis as of the closing, FairPoint will extend the terms in writing for three years following the transaction closing. This includes agreements for services or network elements not required to be provided under Section 251 of the Communications Act of 1934, as amended (the Act), such as UNE-P replacement services offered under Verizon's Wholesale Advantage agreements, and line sharing arrangements provided under Verizon's VISTA agreements.</p>	<p>Same as above</p>
<p>Same as above</p>	<p>Within a reasonable period of time following the closing, FairPoint will file new FCC and state tariffs matching the current ILEC retail and wholesale tariffs for Verizon in Maine, New Hampshire, and Vermont with the same rates, terms, and conditions at closing.</p>	<p>FairPoint's voluntary commitment is not legally binding.</p>
<p>Same as above</p>	<p>FairPoint will not withdraw any tariffed interstate or intrastate special access circuit or seek to increase any of its tariffed rates for interstate or intrastate tariffed special access circuits effective for three years after the transaction closing, unless required by law.</p>	<p>Same as above</p>
<p>Same as above</p>	<p>FairPoint will continue to offer all CLECs (and wholesale customers) services required to be offered by Verizon immediately prior to closing, including access to E911 services, back-office support systems, directory listings, automated directory assistance, tandem transit services, published network specification sheets, number porting intervals, trunk ordering rules, CLEC User forum information, and a CLEC handbook. FairPoint shall offer such services at levels of service equal to or better than those provided (or required to be provided under applicable standards or metrics) by Verizon as of the Merger closing.</p>	<p>FairPoint's voluntary commitment is not legally binding and excludes tandem transit services and trunk ordering rules.</p>

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<p>Given FairPoint's lack of financial resources, the financial pressures it will face, and its powerful incentive to raise rivals' costs, the Merged Firm may force competitors to bear additional costs as a result of the transaction by raising rates for UNEs and other wholesale inputs.</p>	<p>FairPoint will cap existing rates under wholesale tariffs (including intrastate and interstate special access tariffs) and Statements of Generally Available Terms (SGATs) in effect as of the Merger closing date at then-current levels for a period of three years following the Merger closing date, and FairPoint will also freeze the wholesale discount offered under total service resale ("TSR") tariffs in effect as of the Merger closing date at then-current levels for three years following the Merger closing date. FairPoint shall not seek any increase in rates for unbundled network elements, interconnection, collocation, tandem transit services, or any other wholesale service for three years following the transaction closing.</p>	<p>FairPoint has made this voluntary commitment in VT, but that commitment is not legally binding at this point. FairPoint has agreed to this condition in NH vis-à-vis those parties that have signed the "Four-CLEC Settlement," but this commitment does not apply to any other CLECs in NH and is not legally binding at this point. FairPoint has voluntarily committed in ME to "cap" intrastate and interstate special access rates, but it has not defined the level of the cap.</p>
<p>The Merged Firm may reduce special access volume discounts as a result of the lower volume purchased by CLECs in the three-state region.</p>	<p>FairPoint and Verizon will prorate all volume discount pricing provided for inter-carrier agreements and under federal and state tariffs so that such volume pricing terms will be deemed to exclude volume requirements from states outside of the three-state area following the closing. Verizon will make a comparable pro-ration with respect to services it will continue providing in states outside the three-state area acquired by FairPoint. This condition will be in effect for three years from the Merger closing or for the term of any existing arrangements, whichever is longer.</p>	<p>FairPoint's voluntary commitment is not legally binding and does not address existing special access arrangements.</p>
<p>The Merged Firm will have the incentive to discriminate in favor of Verizon affiliates.</p>	<p>FairPoint shall file with the applicable state commission copies of any agreements which create ongoing obligations relating to resale, number portability, dialing parity, access to rights-of-way, reciprocal compensation, interconnection, unbundled network elements, or collocation, for a period of at least three years, or until the applicable state commission relieves FairPoint of this obligation, whichever is later.</p>	<p>FairPoint has agreed to this condition, but this has little meaning since FairPoint has insisted that the agreements be kept confidential. Also, FairPoint has only agreed to this condition in ME, and even that agreement is not legally binding at this time.</p>
<p>The Merged Firm may seek the protections of Section 251(f)(1) or Section 251(f)(2) (the ILECs subject to the proposed transfer would not have been eligible for such protections as part of Verizon), and thereby avoid complying with its obligations under Section 251(b) and/or (c).</p>	<p>FairPoint will be an ILEC and its operations of the acquired properties will be subject to Sections 251 and 252 of the Act. FairPoint will not classify its operations in the acquired territory as "rural" for purposes of Section 251(f)(1) of the Act, nor attempt to seek suspension or modification of any of its obligations under Section 251(b) or (c) of the Act pursuant to Section 251(f)(2).</p>	<p>FairPoint's voluntary commitment is not legally binding at this time.</p>

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<p>The Merged Firm may refuse to comply with the market-opening requirements of Sections 271 and 272.</p>	<p>FairPoint will be a Bell Operating Company (“BOC”) with respect to all assets and operations acquired from Verizon in Maine, New Hampshire, and Vermont. FairPoint shall be subject to all of the legal obligations applicable prior to the Merger closing to such transferred assets and operations by virtue of their status as belonging to a BOC. For example, FairPoint will provide any item on the 14-point “competitive checklist” set forth in Section 271(c)(2)(B) of the Act that Verizon would be required to provide, pursuant to the applicable pricing standard adopted by the FCC, and FairPoint will be subject to the nondiscrimination requirements of Section 272(e) of the Act.</p>	<p>FairPoint has adamantly denied in all three state proceedings that it will be a BOC post-Merger and has questioned the ability of the state commissions to render such a decision.</p>
<p>The proposed transaction threatens to reverse the Section 271 process that Verizon completed in the three affected states because Verizon will be taking with it all of the systems and key employees it used to accomplish that end. The Merged Firm, which has no wholesale experience, will create an entire OSS from scratch, thus creating a substantial risk that service to wholesale customers will be degraded. Thus, there is a risk that the Merged Firm will “backslide” from even the level of performance achieved by Verizon without being held accountable for such backsliding.</p>	<p>FairPoint will abide by the Carrier-to-Carrier (“C2C”) Guidelines and Performance Assurance Plans (“PAP”) applicable to Verizon prior to the Merger closing in Maine, New Hampshire and Vermont. There will be no blackout period and no waiver of PAP credits during cutover to new FairPoint operational support systems (“OSS”) and other systems.</p>	<p>FairPoint has not agreed to this condition as written in any of the state proceedings.</p>
<p>Same as above</p>	<p>FairPoint's wholesale OSS will conform to industry standards as determined by the independent third-party tester of such systems.</p>	<p>FairPoint's voluntary commitment is not legally binding and does not provide that industry standards will be determined by the independent third-party tester.</p>

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<p>Competitors may be forced to bear costs that would not have otherwise been incurred without the proposed transaction, such as (1) higher wholesale charges imposed by the Merged Firm to recover FairPoint's required payments to Verizon under the Transition Services Agreement and the costs of developing and implementing new OSS, including the cost of retaining consultant Capgemini; and (2) costs associated with interfacing with the Merged Firm's new OSS (e.g., the costs of hardware, software, provisioning, training, and testing of the new systems).</p>	<p>FairPoint will not recover transaction expenses, including but not limited to expenses under the Transition Services Agreement and expensed costs of the development of new systems, from end-users or wholesale customers. No acquisition premium or other intangible will be recovered from retail or wholesale ratepayers in the three affected states. In addition, FairPoint shall not seek to recover from wholesale customers any portion of the capitalized costs associated with development of new systems. However, if the Commission allows FairPoint to recover any portion of capitalized costs related to its new operations in the region, such as systems development costs, all such costs shall be allocated among and between jurisdictions and operating systems that benefit from the systems and work represented by the capitalized costs (e.g., wholesale and retail, interstate and intrastate, regulated and unregulated service). In no event shall FairPoint recover or seek to recover such capitalized costs solely from wholesale customers.</p>	<p>FairPoint has not agreed to this condition as written in any of the states.</p> <p>In NH, FairPoint has reiterated that it "expects to capitalize certain costs related to its new operations in the region, such as systems development costs, and reserves the right to seek recovery of such costs in future rates cases." See FairPoint's Post-Hearing Brief in NH PUC Docket No. 07-011 at A-2.</p>

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Same as above	FairPoint will reimburse wholesale customers for all costs they incur in connection with hardware and software required to make their systems interoperable with FairPoint's new systems, including but not limited to costs related to electronic bonding. FairPoint will provide training on such systems at no charge to wholesale customers. FairPoint also will reimburse wholesale customers for all travel and other expenses related to training functions sponsored by FairPoint.	FairPoint has not agreed to this condition as written in any of the states.
<p>FairPoint may use the proposed transaction to increase its "impairment" level and be relieved of the obligation to provide UNEs under Section 251.</p> <p>FairPoint may use the proposed transaction to enable further deregulation.</p>	FairPoint will not reclassify or seek to reclassify any wire center so as to increase its level of non-impairment (<i>e.g.</i> , from Tier II to Tier I) for a period of three years after the Merger closing. FairPoint shall not count any collocation arrangement maintained by the former MCI as a "fiber-based collocation" for purposes of the impairment criteria in the <i>TRRO</i> for a period of three years after the transaction closing.	FairPoint has agreed to this condition in ME and in NH only vis-à-vis those parties that have signed the "Four-CLEC Settlement," but this proposed commitment does not apply to other CLECs in NH or any CLECs in VT. It is also not legally binding at this point.
The Merged Firm may seek to forbear from its obligations under Sections 251 and 271, rendering many of the other conditions proposed by One Communications meaningless.	For three years after the Merger closing, FairPoint will not make any request for forbearance from loop and transport unbundling under Section 251; from any obligation to provide services or elements under Section 271; from <i>Computer Inquiry</i> requirements; or from dominant carrier regulation.	In ME, FairPoint's proposal includes Sections 251 and 271 only and clarifies that it need not wait until the end of the 3-year period to file forbearance petitions. It states only that it need not give effect to forbearance grants for 3 years. This commitment is not legally binding at this point.