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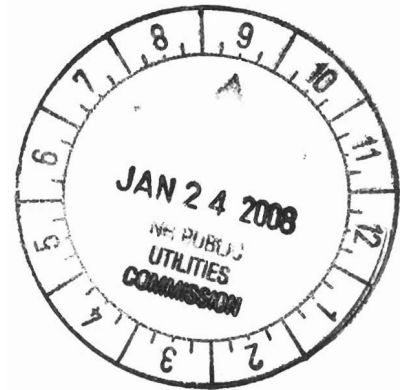
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January 23, 2008

**VIA HAND DELIVERY**

Ms. Debra A. Howland  
Executive Director and Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301



**Re: DT 07-011 – VERIZON NEW ENGLAND INC., BELL ATLANTIC COMMUNICATIONS, INC., NYNEX LONG DISTANCE COMPANY, VERIZON SELECT SERVICES INC. AND FAIRPOINT COMMUNICATIONS, INC. Joint Application for Approvals Related to Verizon’s Transfer of Property and Customer Relations to Company to be Merged with and into FairPoint Communications, Inc.**

Dear Ms. Howland:

Verizon New England Inc., Bell Atlantic Communications, Inc., NYNEX Long Distance Company and Verizon Select Services Inc. (collectively “Verizon”) and FairPoint Communications, Inc. (“FairPoint”) (collectively, the “Joint Petitioners”) hereby file a settlement agreement with the Staff of the New Hampshire Public Utilities Commission (the “NH Settlement”), enclosed herewith as Exhibit 1, which sets forth supplemental conditions to the approval of the transactions described in the above-referenced docket, including the merger pursuant to the Agreement and Plan of Merger, as amended, between Verizon Communications Inc., Northern New England Spinco, Inc. and FairPoint.<sup>1</sup>

The NH Settlement was negotiated in response to the issues identified by the Commission in its December 17, 2007 preliminary deliberations. The supplemental conditions discussed below significantly strengthen FairPoint’s financial condition, result in a substantially improved debt leverage ratio, provide FairPoint with increased financial

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<sup>1</sup> See Attachment SES-1 to Verizon Ex. 1P and Attachments SES-6, SES-7 and SES-8 to Verizon Ex. 2P.

resources to satisfy its commitments and the conditions imposed on the transaction, and further ensure that the transaction will promote the public good in New Hampshire. The combination of these conditions fully addresses the issues raised by the Commission during its preliminary deliberations, as explained in further detail below.

On December 17, 2007, the Commission held preliminary deliberations on the New Hampshire Joint Application for Approval of Transfer of Certain Assets by Verizon and Associated Transactions. During those deliberations, the Commission noted that the Joint Petitioners had entered into a settlement agreement in Maine that modified the transaction in material ways. The Commission directed the Joint Petitioners to “file the revised arrangement here or seek the concurrence of New Hampshire parties in doing so.” Transcript of December 17, 2007 Public Meeting at 9. The Commission further stated that upon receipt of such a filing, it “would have a hearing, with appropriate due process accorded to other parties, to assess whether the revised transaction or any settlement is in the public interest.” *Id.*

In response to the deliberations, the Joint Petitioners entered into the NH Settlement which is being filed with the Commission in accordance with Puc 203.20(e). The Joint Petitioners request that the Commission schedule a hearing on the NH Settlement as soon as possible after expiration of the five-day period provided in Puc 203.20(e).<sup>2</sup>

Among other things, the NH Settlement (in conjunction with the Maine and Vermont settlement agreements) fully addresses the following issues raised by the Commission in its deliberations<sup>3</sup>:

**Verizon's \$297.5 Million Financial Contribution:** (a) Verizon will contribute \$235.5 million to the working capital of Spinco immediately prior to the closing, and FairPoint shall use the \$235.5 million to repay permanently within 30 days of closing the term loan or Spinco securities issued or incurred at closing; (b) Verizon will contribute an additional \$25 million to Spinco's working capital just prior to closing and a further \$25 million contribution to FairPoint's working capital on the second anniversary of the closing, to be used for New Hampshire projects; and (c) as a result of the Maine stipulation, Verizon will forgive FairPoint's

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<sup>2</sup> The Joint Petitioners also submit for the Commission's information the stipulation approved by the Maine Public Utilities Commission, as amended, and the stipulation with the Department of Public Service in Vermont, enclosed herewith as Exhibits 2 and 3. The transaction has also been approved by the Federal Communications Commission. The FCC's Order of January 9, 2008 may be found at [http://hraunfoss.fcc.gov/edocs\\_public/attachmatch/FCC-07-226A1.doc](http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-07-226A1.doc). As of the filing of this letter, the Maine PUC has not yet issued a written order.

<sup>3</sup> The following is only a partial list of the benefits contained in the NH Settlement.

obligation to reimburse Verizon for the cost of certain broadband expenditures in Maine, effectively providing FairPoint with an additional \$12 million cash infusion, for a total Verizon financial contribution of **\$297.5 million**.

**Verizon and Capgemini's TSA "Backstop"**: (a) In the event that the cutover does not occur within nine months following the closing date, FairPoint will issue preferred stock to Capgemini to fund the payment of the TSA fees for Schedule A and D services for months 10, 14 and 15 following the closing, up to a maximum amount of \$49.5 million; and (b) in the event that cutover does not occur before the end of month 10 after the closing date, and Verizon has been paid all TSA fees, and if at the end of the prior quarter immediately preceding the date when each monthly fee is due FairPoint's Leverage Ratio exceeds 4.75, FairPoint will defer the TSA monthly fees due to Verizon under Schedules A, C and D for months 11, 12 and 13.

**FairPoint Financial Conditions**: (a) With the first full quarterly dividend paid after the closing, FairPoint will reduce its aggregate annual dividends payable on common stock by 35% and FairPoint may not thereafter increase the dividend on its common stock until certain financial conditions are met; (b) FairPoint will use all funds from the dividend reductions to repay debt related to the merger subject to certain terms and conditions; and (c) beginning in the first quarter of 2009, FairPoint shall pay the higher of \$45 million annually or 90% of its annual free cash flow towards the repayment of debt related to the merger.

**Cutover Process**: A third party monitor will be appointed to perform certain services regarding cutover, which will be funded by FairPoint, consistent with Staff Exhibit 61.

**Broadband**: Among other commitments set forth within the NH Settlement: (a) FairPoint will provide broadband availability to 75% of its access lines in NH within 18 months of closing and 85% broadband availability within 24 months of closing; (b) FairPoint will spend at least \$56.4 million on broadband infrastructure within 60 months of closing, with the requirement to provide broadband availability to 95% of its New Hampshire access lines and 75% broadband availability to access lines in UNE Zone 3 exchanges; and (c) at the time of closing, FairPoint will maintain all prices and speeds offered by Verizon for broadband Internet access service.

**Capital Expenditures:** FairPoint will spend a minimum of \$52 million in capital expenditures in New Hampshire during each of the first three years following the merger, and a minimum of \$49 million during the fourth and fifth years post-merger.

**Quality of Service:** (a) FairPoint will establish a detailed work plan regarding double poles within six months of closing, will reduce double poles to fewer than 500 within 30 months post-close and will set aside certain funds if it fails to meet specified criteria; (b) three months post-close or August 1, 2008, whichever is sooner, FairPoint will provide the Commission with a full network improvement plan; and (c) FairPoint will be subject to certain quality of service requirements and penalties and will make service quality reports available to the public.

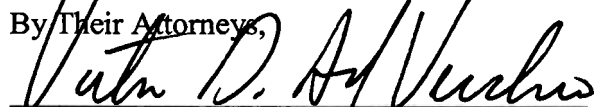
The changes to the transaction as more fully reflected in the NH Settlement address the concerns the Commission expressed in its December 17, 2007 deliberations and further demonstrate that the transaction is in the public interest. The Joint Petitioners respectfully request that, after notice and hearing on the NH Settlement, the Commission approve in their entirety the transfer of relevant assets and related transactions, as modified, as soon as possible so that the proposed three-state transaction may close promptly.

Thank you for your attention to this matter.

Very truly yours,

Verizon New England Inc.  
Bell Atlantic Communications, Inc.  
NYNEX Long Distance Company  
Verizon Select Services Inc.

By Their Attorneys,



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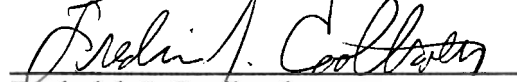
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Enclosures