STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

DT 07-011

Verizon New England Inc., et. al and
FairPoint Communications, Inc.

Transfer of Assets

**Motion by FairPoint Communications, Inc.
for Limited Modification of Merger Condition**

FairPoint Communications, Inc. ("FairPoint") hereby moves for a limited modification of a condition to the Commission's approval of the merger in this case and, in support of its motion, states as follows:

1. On February 25, 2008, the Commission issued its order approving with conditions the proposed merger transaction under which the landline telephone assets and business formerly operated by Verizon New England Inc., et. al ("Verizon") were transferred to Northern New England Telephone Operations LLC ("Telco"), with Telco becoming a subsidiary of FairPoint. *See* Order Approving Settlement Agreement with Conditions, Docket DT 07-011, order number 24,823, dated February 25, 2008 (the "Order").

2. The Order incorporated by reference (subject to certain modifications not at issue in this motion) the Settlement Agreement dated as of January 23, 2008 (the "Settlement Agreement"), by and among the Joint Petitioners and the Commission's Staff.[1] One of the conditions of approval is embodied in Section 2.3 of the Settlement Agreement among the Joint

[1] *See* Order, first "Ordered" clause, at page 89.

Petitioners and the Commission Staff dated as of January 23, 2008 (the "Settlement Agreement"), which provides as follows:

> "Debt Reduction. Beginning in the first quarter of 2009, FairPoint agrees to pay the higher of $45,000,000 annually, or 90% of annual Free Cash Flow, to be applied equally in each fiscal quarter, towards the repayment of debt related to the Merger (and any refinancing of such debt)."

3. Following the execution of the Settlement Agreement, FairPoint negotiated final credit terms with its lender group. The repayment schedule specified in the Credit Agreement dated as of March 31, 2008 between FairPoint and the lender group provides in Section 3.01 for principal payments under the Credit Agreement to commence on June 30, 2009. Thus, a payment on March 31, 2009 would be an early prepayment that is not required under the terms of the Credit Agreement. A copy of the relevant portions of the Credit Agreement are attached hereto as Exhibit 1 and incorporated herein by reference.

4. As the Commission is aware, the cutover to our new platform of systems was initiated on January 30, 2009, with the transfer of data from Verizon. The cutover process continued for nine days, after which FairPoint began to independently operate its new systems on February 9, 2009. FairPoint is now working in the post-cutover stage, processing both current orders as well as those that were received during the nine day cutover process. FairPoint, together with Capgemini U.S. LLC, is working diligently to reduce the customer service representatives' average handle time for orders, increase order flow through to provisioning, and return bill cycles to the pre-cutover schedule. The extended timeframes for these activities are expected to result in extended cash collection cycles which will have a short-term negative impact on liquidity for the next several months. The exact effect on cash flow during this period cannot be determined at this time; however, FairPoint currently believes that it will have sufficient liquidity to meet all of its obligations. Notwithstanding this, FairPoint believes this is

not a time to be making voluntary prepayments under its Credit Agreement. In addition, increased handling times at its call centers and the extended timeframe for processing orders may result in a short-term increase in customer churn; yet another reason to preserve liquidity.

5. Additionally, instead of voluntarily making a prepayment under our Credit Agreement, we may have the ability to buy back certain of our 13 1/8% senior notes due 2018, which are currently trading at a significant discount to original issue cost. This would retire higher interest debt than that under the Credit Agreement.

6. In order to efficiently manage cash flow during 2009 and provide maximum financial flexibility, FairPoint proposes not to make the early prepayment of principal on March 31, 2009 and instead to make the first quarterly principal payment on June 30, 2009 in accordance with the terms of the Credit Agreement. Based on FairPoint's 2009 business plans, FairPoint estimates that the total amount of principal paid on its indebtedness during calendar 2009 will exceed $45,000,000. Therefore, the modification requested should not have a material effect on FairPoint's long term financial results; nor should it alter the desired outcome of at least $45,000,000 debt reduction in 2009.

7. The relief requested would enable FairPoint better to manage efficiently its cash flow, especially at this critical post-cutover time.

8. The proposed change to the payment schedule set forth within the Settlement Agreement would be fully in compliance with and consistent with FairPoint's Credit Agreement.

9. The proposed modification would assist FairPoint in managing its cash flow requirements during 2009 which have been affected by (i) the loss of the availability of $30,000,000 of revolving credit capacity due to the bankruptcy of Lehman Brothers, Inc. and its affiliates, (ii) deteriorating economic conditions generally, (iii) the extended transition services

agreement period, and (iv) the anticipated short-term negative impact which cutover will have on the Company's liquidity.

10. Similar requests are being made to the Maine Public Utilities Commission and to the Vermont Public Service Board.

WHEREFORE, FairPoint respectfully requests that the Commission:

A. Grant the relief requested in this motion; and

B. Enter such other and further orders as the Commission may determine to be just and reasonable.

Respectfully submitted,

FAIRPOINT COMMUNICATIONS, INC.

By Its Attorneys:

DEVINE, MILLIMET & BRANCH
PROFESSIONAL ASSOCIATION

Dated: February 27, 2009

By: Frederick J. Coolbroth

Frederick J. Coolbroth, Esq.
Patrick C. McHugh, Esq.
43 N. Main Street
Concord, NH 03301
(603) 226-1000
fcoolbroth@devinemillimet.com
pmchugh@devinemillimet.com

CERTIFICATE OF SERVICE

I hereby certify that a PDF copy of the foregoing motion was forwarded this day to the parties by electronic mail.

Dated: February 27, 2009

By: Frederick J. Coolbroth

Frederick J. Coolbroth, Esq.

EXHIBIT 1

Execution Copy

CREDIT AGREEMENT

among

FAIRPOINT COMMUNICATIONS, INC.,

NORTHERN NEW ENGLAND SPINCO INC.,

VARIOUS LENDING INSTITUTIONS,

BANK OF AMERICA, N.A.,
as SYNDICATION AGENT,

MORGAN STANLEY SENIOR FUNDING, INC.
and
DEUTSCHE BANK SECURITIES INC.,
as CO-DOCUMENTATION AGENTS,

and

LEHMAN COMMERCIAL PAPER INC.,
as ADMINISTRATIVE AGENT

Dated as of March 31, 2008

LEHMAN BROTHERS INC.
and
BANC OF AMERICA SECURITIES LLC,
as JOINT LEAD ARRANGERS,

and

LEHMAN BROTHERS INC.,
BANC OF AMERICA SECURITIES LLC,
and
MORGAN STANLEY SENIOR FUNDING, INC.,
as JOINT BOOK RUNNING MANAGERS

SECTION 3. Payments.

3.01 Repayment of Term Loans.

(a) The Borrower promises to repay the A Term Loans on the dates and in the amounts set forth below:

DATE	AMOUNT
March 31, 2008 through March 31, 2009, inclusive	$0
June 30, 2009	$6,250,000
September 30, 2009	$6,250,000
December 31, 2009	$6,250,000
March 31, 2010	$6,250,000
June 30, 2010	$6,250,000
September 30, 2010	$6,250,000
December 31, 2010	$6,250,000
March 31, 2011	$6,250,000
June 30, 2011	$12,500,000
September 30, 2011	$12,500,000
December 31, 2011	$12,500,000
March 31, 2012	$12,500,000
June 30, 2012	$12,500,000
September 30, 2012	$12,500,000
December 31, 2012	$12,500,000
March 31, 2013	$12,500,000
June 30, 2013	$87,500,000
September 30, 2013	$87,500,000
December 31, 2013	$87,500,000
A TERM LOAN MATURITY DATE	100% of amount of outstanding A Term Loans

(b) The Borrower promises to repay the Initial B Term Loans on the dates and in the amounts set forth below:

DATE	AMOUNT
March 31, 2008 through March 31, 2009, inclusive	$0
June 30, 2009	$2,825,000
September 30, 2009	$2,825,000
December 31, 2009	$2,825,000
March 31, 2010	$2,825,000
June 30, 2010	$2,825,000
September 30, 2010	$2,825,000
December 31, 2010	$2,825,000
March 31, 2011	$2,825,000
June 30, 2011	$2,825,000

September 30, 2011	$2,825,000
December 31, 2011	$2,825,000
March 31, 2012	$2,825,000
June 30, 2012	$2,825,000
September 30, 2012	$2,825,000
December 31, 2012	$2,825,000
March 31, 2013	$2,825,000
June 30, 2013	$2,825,000
September 30, 2013	$2,825,000
December 31, 2013	$2,825,000
March 31, 2014	$2,825,000
June 30, 2014	$2,825,000
September 30, 2014	$2,825,000
December 31, 2014	$2,825,000
B TERM LOAN MATURITY DATE	100% of amount of outstanding Initial Term Loans

(c) The Borrower promises to repay the Delayed-Draw B Term Loans (i) in an annual amount equal to 0.00% of the amount drawn in the first year after the Closing Date, (ii) in an annual amount equal to 1.00% of the amount drawn, thereafter, payable quarterly in arrears on the last Business Day of each quarter, and (iii) in an amount equal to 100% of the amount of the outstanding Delayed-Draw B Term Loans at the B Term Loan Maturity Date.