

**VERIZON NEW ENGLAND INC.**  
**d/b/a VERIZON NEW HAMPSHIRE**

**STATE OF NEW HAMPSHIRE**

**DOCKET NO. DT 07-011**

**DIRECT TESTIMONY**

**OF**

**STEPHEN E. SMITH**

**ON BEHALF OF VERIZON NEW ENGLAND INC. d/b/a VERIZON NEW HAMPSHIRE,  
NYNEX LONG DISTANCE COMPANY, VERIZON SELECT SERVICES INC., BELL  
ATLANTIC COMMUNICATIONS, INC.**

**MARCH 23, 2007**

**TABLE OF CONTENTS**

	<u><b>Page No.</b></u>
<b>Introduction .....</b>	<b>1</b>
<b>Description of the Transaction .....</b>	<b>2</b>
<b>Preliminary Transfers .....</b>	<b>3</b>
<b>Debt Financing .....</b>	<b>13</b>
<b>The Distribution and Merger .....</b>	<b>15</b>
<b>Pension Issues .....</b>	<b>16</b>
<b>Circumstances Immediately After Closing .....</b>	<b>18</b>
<b>FairPoint .....</b>	<b>18</b>
<b>Verizon Companies .....</b>	<b>19</b>
<b>E-911 Service .....</b>	<b>20</b>
<b>Verizon Treatment of Wholesale Relationships .....</b>	<b>21</b>
<b>The Transition Services Agreement (“TSA”) .....</b>	<b>22</b>
<b>The Transition Services .....</b>	<b>24</b>
<b>Cutover Planning .....</b>	<b>27</b>
<b>Pricing .....</b>	<b>29</b>
<b>The Term of the TSA .....</b>	<b>30</b>
<b>Verizon Performance under the TSA .....</b>	<b>31</b>

**Introduction**

1 **Q. Please state your name, title and business address.**

2 A. My name is Stephen Edward Smith. I am the Vice President of Business Development  
3 for the Domestic Telecommunications group of Verizon Communications Inc.  
4 (“Verizon”). My office is located at One Verizon Way in Basking Ridge, New Jersey,  
5 07920.

6 **Q. Please describe your educational and professional background.**

7 A. I hold a Bachelors of Science degree in Business Administration from Georgetown  
8 University in Washington D.C. I have worked for Verizon or its predecessor companies  
9 for my entire professional career. In May of 2007, I will have 30 years of service.  
10 During that time, I have filled roles in accounting, budget planning, financial analysis,  
11 strategic planning and business development.

12 **Q. Please describe your current duties for VZ.**

13 A. In my current position, I identify, evaluate, and – if appropriate – recommend and  
14 execute business development for the group of companies that comprise Verizon’s  
15 Domestic Telecommunications Group. Business development can take many forms,  
16 including mergers, acquisitions, dispositions, joint ventures, strategic partnerships and  
17 more. I have been in my current role for Verizon since 2000.

18 **Q. Please describe your involvement with the transaction between the Verizon  
19 companies and FairPoint Communications (“FRP”) for which they seek approval in  
20 this matter.**

21 A. I was Verizon’s business team leader for this transaction. In that role, I directed the  
22 preparation of descriptive information about our businesses in Maine, New Hampshire

1 and Vermont, distributed that information to FRP and other interested parties and  
2 negotiated preliminary indications of interest. Thereafter, I organized the compilation of  
3 due diligence information about our businesses and directed Verizon's due diligence  
4 study of FRP. At the conclusion of the due diligence process, I directly negotiated many  
5 of the agreements with FRP and coordinated the negotiation of other contract documents.  
6 At this time, I am coordinating Verizon's transition service preparations, closing-related  
7 activities and cutover planning.

8 **Q. Please describe the purpose of your testimony.**

9 A. The purpose of my testimony is to provide information about the transaction and related  
10 debt financing and describe the proposed transition services and related service cutover  
11 that will occur at the conclusion of transition service delivery.

12 **Description of the Transaction**

13 **Q. Why did Verizon decide to transfer its operations in Maine, New Hampshire and**  
14 **Vermont?**

15 A. Verizon regularly receives expressions of interest from third parties interested in  
16 acquiring its access line properties. When those expressions are credible, Verizon  
17 investigates and evaluates the proposals to satisfy its fiduciary responsibility to  
18 shareowners. The potential transfer of Maine, New Hampshire and Vermont first arose  
19 from this kind of activity.

20 Verizon believes the proposed transaction with FRP provides a fair value for this  
21 property to Verizon's shareowners and allows Verizon to focus more intently on its  
22 operations in other markets. Verizon also believes that this transaction will be a good one  
23 for customers. They will be served by FRP, a company that specializes in providing

1 affordable, high-quality, advanced services to consumers in midsize and smaller markets,  
2 and will focus on northern New England as a core market as of the closing. Verizon also  
3 believes that the transaction agreements ensure fair and equitable treatment of the  
4 employees continuing with the business by FRP, including the honoring of union labor  
5 agreements.

6 **Preliminary Transfers**

7 **Q. Please provide an overview of the proposed transaction between VZ and FRP.**

8 A. The proposed transaction is designed to establish a separate entity as the holding  
9 company for Verizon's local exchange, long distance and related business activities in  
10 Maine, New Hampshire and Vermont, spin-off the stock of that new entity to Verizon  
11 shareholders, and immediately merge it into FRP. The transaction is designed to ensure  
12 that the equity distribution (i.e., the spin-off) and the merger are tax-free to Verizon and  
13 its shareowners under the Internal Revenue Code.

14 On January 15, 2007, FRP, Verizon and a direct, wholly owned subsidiary of  
15 Verizon known as Northern New England Spinco Inc. ("Spinco") entered into an  
16 Agreement and Plan of Merger (the "Merger Agreement," attached hereto as Exhibit  
17 SES-1). On the same date, Verizon and Spinco also entered into a Distribution  
18 Agreement, a copy of which is attached hereto as Exhibit SES-2. Pursuant to the Merger  
19 Agreement and the Distribution Agreement, the following steps will be taken together,  
20 which I address in greater detail later in my testimony:

21 (i) Verizon New England Inc. ("VNE") will transfer its assets, liabilities and  
22 customer relationships relating to its local exchange, intrastate toll and exchange  
23 access operations in Vermont, New Hampshire and Maine to Northern New

1 England Telephone Operations Inc. (“Telco”), a wholly-owned subsidiary of  
2 VNE created for this purpose;

3 (ii) A number of other Verizon companies will transfer their accounts receivable,  
4 customer relationships and related service or contract obligations associated with  
5 their long-distance operations, internet service operations and certain CPE  
6 maintenance operations in Maine, New Hampshire and Vermont to Enhanced  
7 Communications of Northern New England Inc. (“Newco”), a wholly-owned  
8 subsidiary of Spinco created for this purpose;

9 (iii) VNE will transfer the stock in Telco to Spinco through a series of intermediate  
10 transfers, such that Telco will become a direct, wholly-owned subsidiary of  
11 Spinco; and

12 (iv) Verizon will then distribute the stock of Spinco directly to the shareholders of  
13 Verizon, such that Spinco (and therefore Telco and Newco) no longer will be  
14 subsidiaries of Verizon.

15 Immediately following the distribution of Spinco, Spinco will be merged with and into  
16 FRP. FRP will be the surviving company (under its existing name), and will own all of  
17 the stock of Telco and Newco.

18 **Q. Let’s walk through that step-by-step. Please explain the purpose of creating Telco**  
19 **and what assets, liabilities and business get transferred to it.**

20 A. Telco was created to hold the assets and liabilities of VNE in Maine, New Hampshire and  
21 Vermont (the “Territory”) and to operate VNE’s local exchange, intrastate toll and  
22 exchange access businesses in the Territory that are subject to regulations applicable to  
23 local exchange carriers promulgated by one or more of the Vermont Public Service

1 Board, the Maine Public Utilities Commission or the New Hampshire Public Utilities  
2 Commission. Under the Distribution Agreement, among these assets (the “Telco  
3 Assets”) would be accounts and notes receivable (whether current or non-current), rights  
4 under leases (including real property leases), contracts, licenses, permits, distribution  
5 arrangements, sales and purchase agreements, joint operating agreements, other  
6 agreements and business arrangements, owned real property, leased real property,  
7 fixtures, trade fixtures, telephone plant assets, equipment, tools, furniture, supplies,  
8 inventory, and other tangible property of any kind, including all antennas, apparatus,  
9 cables, electrical devices, fixtures, equipment, furniture, office equipment, broadcast  
10 towers, motor vehicles and other transportation equipment, special and general tools, test  
11 devices, transmitters and other tangible personal property, computers and other data  
12 processing equipment and software, prepayments or prepaid expenses, rights under  
13 express or implied warranties, goodwill as a going concern and other intangible  
14 properties, licenses and authorizations issued by any governmental authority, and Real  
15 Property Interests, as defined in the Distribution Agreement. *See* Definitions of “Assets,”  
16 “ILEC Spinco Assets,” “Real Property Interests” and “Telephone Plant” in the  
17 Definitions section (Section 1.1) of the Distribution Agreement.<sup>1</sup>

18 The liabilities to be transferred to Telco are those liabilities of VNE that arise  
19 from or relate to the Telco Assets but exclude certain tax, employee and debt obligations.

20 **Q. How does the ownership of Telco change prior to the merger with FRP?**

21 A. Prior to the merger, the ownership of Telco changes as follows:

---

<sup>1</sup> The Distribution Agreement refers to Telco as the “ILEC Spinco Subsidiary” and to Newco as the “Non-ILEC Spinco Subsidiary.”

- 1 • VNE has already formed Telco and will contribute to Telco the assets and liabilities
- 2 currently held by VNE that are related to the Maine, Vermont and New Hampshire
- 3 business (the “Telco Business”).
- 4 • VNE will distribute the stock of Telco to VNE’s parent, NYNEX Corporation
- 5 (“NYNEX”).
- 6 • NYNEX will distribute the stock of Telco to its parent, Verizon.
- 7 • Verizon has already formed Spinco and will contribute to it the stock of Telco.
- 8 • Verizon will distribute all of the stock of Spinco to Verizon’s shareholders.

9 **Q. What is the role of Newco?**

- 10 A. Newco was formed by Spinco to hold the assets and liabilities being contributed to the
- 11 transaction by Verizon companies other than the ILEC, VNE, which relate to the
- 12 interstate long distance and related business of those companies in Maine, New
- 13 Hampshire and Vermont. The business to be operated by Newco includes the following:
- 14 (a) consumer and small business switched and certain dedicated long distance service
  - 15 to customers located in the Territory;
  - 16 (b) large business switched and dedicated long distance service currently offered by VZ
  - 17 Select Services Inc. (“VSSI”) to customers located in the Territory;
  - 18 (c) the delivery of dial-up, DSL and fiber to the premises (a/k/a FiOS) data and
  - 19 dedicated internet access services to customers located in the Territory;
  - 20 (d) customer premise equipment sales, and installation and maintenance services
  - 21 currently offered by VSSI to customers located in the Territory; and
  - 22 (e) private line service to current customers of VSSI where the line originates and
  - 23 terminates in the Territory.



1        *See* the definition of “Spinco Business” in Section 1.1 of the Distribution Agreement.  
2        The assets and liabilities to be held and used by Newco are currently held by various  
3        Verizon affiliates. They will transfer those assets and liabilities to Verizon, Verizon will  
4        contribute them to Spinco and Spinco will contribute them to Newco immediately prior  
5        to the transaction closing.

6        **Q. Which Verizon companies have assets and liabilities that will be contributed to the**  
7        **Newco business?**

8        A. The following VZ companies are contributing to Newco:

9        (a) NYNEX Long Distance Company (“NYNEX LD”),

10       (b) Bell Atlantic Communications, Inc. (“BACI”),

11       (c) VSSI,

12       (d) Verizon Internet Services Inc. (“VOL”),

13       (e) GTE.net LLC (“GTE.net”) and,

14       (f) any subsidiary of Verizon that employs a Spinco Employee (as defined in the  
15       Employee Matters Agreement). (*See* further discussion below.)

16       *See*, definition of “Contributing Companies” in Section 1.1 of the Distribution  
17       Agreement.<sup>2</sup>

18       **Q. What assets, business and/or liabilities will go to Newco?**

19       A. Under the Distribution Agreement, Newco will receive all contracts and customer  
20       relationships with Maine, New Hampshire and Vermont customers of NYNEX LD,  
21       BACI, VSSI, VOL and GTE.net, including related accounts receivable but excluding  
22       contracts and relationships associated with voice over internet protocol (“VoIP”) service

---

<sup>2</sup> The Distribution Agreement inadvertently fails to name GTE.net as a Contributing Company. The parties intend for GTE.net to contribute assets to Spinco as part of the transaction, however, and intend to amend the Distribution Agreement to that effect.

1 as provided by any Verizon company and the prepaid card products, payphone dial  
2 around services and dedicated Internet access (“DIA”) services of VSSI. See the  
3 definitions of “Spinco Business” and “Spinco Assets” in Section 1.1 of the Distribution  
4 Agreement.

5 **Q. Are the customer relationships to be transferred to Newco strictly limited to**  
6 **business not regulated by the Commission?**

7 A. No. NYNEX LD and BACI currently offer intrastate toll services as a convenience to  
8 their customers, though that service is not the primary focus of those companies.  
9 Relationships with some customers who purchase such service will be included in the  
10 transaction such that Newco will provide such service following the merger. Of course,  
11 those services are subject to the regulation of the Commission without regard to which  
12 company offers them.

13 **Q. What assets and businesses of NYNEX LD, BACI, VSSI, VOL and GTE.net in the**  
14 **Territory will *not* be transferred?**

15 A. Aside from customer relationships and related accounts receivable assets and service  
16 obligation liabilities, no other assets or business activities of NYNEX LD, BACI, VOL or  
17 GTE.net will be transferred to Spinco. Due to the nature of some of the products that it  
18 sells, VSSI cannot transfer all of its customer relationships to Spinco. For example,  
19 customers who purchase prepaid cards outside of the Territory could travel into the states  
20 and use the cards during their visit. Similarly, customers who are knowledgeable of  
21 VSSI’s payphone dial-around number can use the number at any payphone, including  
22 payphones in the Territory.

23 **Q. What liabilities of the Verizon companies will be transferred to Telco and Newco?**

- 1 A. Except for liabilities specifically excluded by the transaction agreements such as  
2 Verizon's obligations under the transaction agreements and liabilities under various  
3 contracts, the transferred liabilities will include, pursuant to the Distribution Agreement:
- 4 (a) all liabilities of Verizon or any of its subsidiaries to the extent relating to or  
5 arising from the Spinco Business, as defined in the Distribution Agreement;
- 6 (b) all liabilities to the extent relating to or arising from any Spinco Assets; and
- 7 (c) all liabilities of the Spinco Business with respect to the Transferred Affiliate  
8 Arrangements. Transferred Affiliate Arrangements are defined in the Distribution  
9 Agreement to include obligations and contract arrangements between VNE and  
10 other Verizon affiliates that relate to the Spinco Business, such as leases, affiliate  
11 interconnection agreements, inter-company trade accounts and obligations owed  
12 under prorate agreements. For the most part, Affiliate Arrangements consist of  
13 contracts between VNE and the former MCI companies.

14 **Q. Please describe the steps by which these assets will be transferred from each**  
15 **contributing company ultimately to Newco.**

- 16 A. The steps for the transfer of the Newco Business assets are expected to occur as follows:
- 17 • NYNEX LD, BACI, VSSI, VOL and GTE.net each transfer their relevant customer  
18 relationships and associated accounts receivable, as described above, to Verizon, their  
19 parent company. Where any of these Contributing Companies is not directly owned  
20 by Verizon, its assets will be transferred to each intermediate subsidiary in turn, such  
21 that the assets are eventually transferred to Verizon. (For example, NYNEX LD is  
22 wholly owned by Bell Atlantic Worldwide Services Group, Inc., which is wholly  
23 owned by NYNEX Corporation, itself wholly owned by Verizon.)

- 1           • Verizon contributes those assets to Spinco  
2           • Spinco contributes to Newco the Newco Business.

3           The various transaction steps (including the steps by which the stock of Telco is  
4           transferred to Spinco) are designed to ensure that the Spinco equity distribution is tax-  
5           free to Verizon shareowners under Internal Revenue Code regulations.

6   **Q. Are Telco and Newco receiving any other assets or liabilities from any Verizon**  
7   **entities, such as Verizon Wireless or Verizon Business?**

8   A. No. In fact, the Distribution Agreement specifically provides, in the definition of Spinco  
9   Assets, that in no event will Spinco assets include:

- 10           (a) any intellectual property assets (except to the extent specified in a transaction  
11           agreement);  
12           (b) certain assets such as Verizon's rights associated with the transaction, Verizon  
13           assets specifically excluded from the transaction (such as the pension assets  
14           required to fund obligations to employees in the Territory who retire prior to the  
15           close of the transaction), defenses and counterclaims relating to any liability  
16           retained by Verizon, and the capital stock of each Verizon subsidiary;  
17           (c) any assets of Verizon Business Global LLC, which is the successor to the business  
18           of MCI, Inc., and direct and indirect subsidiaries of Verizon Business Global LLC;  
19           (d) any assets of Verizon Network Integration Corp.;  
20           (e) any assets of Verizon Federal Inc.;  
21           (f) any assets of Federal Network Systems LLC;  
22           (g) any assets of Verizon Global Networks Inc.;

1 (h) any assets of VSSI, other than assets that constitute customer relationships or  
2 contracts that relate solely to the Spinco Business;

3 (i) any assets of Cellco Partnership (d/b/a Verizon Wireless);

4 (j) any Cash Equivalents or short term investments; or

5 (k) any Cash, unless required to satisfy the Target Working Capital amount as defined  
6 in the Distribution Agreement.

7 **Q. Please describe the status of Spinco and its assets once the transfers discussed above**  
8 **are performed.**

9 A. Upon completion of the transfers, Spinco will be a direct, wholly-owned subsidiary of  
10 Verizon and will wholly own Telco and Newco, the operating companies that will own  
11 the assets and liabilities included in the transaction. Of course, this state of affairs will  
12 exist only momentarily, because the spin-off of Spinco and the merger with FRP will  
13 follow immediately.

14 **Q. How are employees supporting the Telco and Newco businesses treated in this**  
15 **transaction?**

16 A. Employees who are Spinco Employees, as defined in Section 1.1 of the Employee  
17 Matters Agreement between Verizon and FRP,<sup>3</sup> will as part of the transaction continue  
18 their employment with Telco and Newco after the spin-off and merger. A Spinco  
19 Employee is defined in Section 1.1 of the Employee Matters Agreement to mean any  
20 individual who (i) is either actively employed (whether on a full or part-time basis) by, or  
21 is on a leave of absence or layoff with right of recall from, Verizon or a Verizon  
22 subsidiary (including Spinco), whose primary duties on the transaction closing date (or,

---

<sup>3</sup> The Employee Matters Agreement is filed herewith as Exhibit SES-3.

1 in respect of an individual on a leave of absence or layoff with right of recall, on his or  
2 her last date of active employment) were related to the Spinco Business, and (ii) is not an  
3 employee otherwise determined to be retained by Verizon. The Employee Matters  
4 Agreement provides for Verizon and FRP to develop a list identifying all Spinco  
5 Employees by name, which list will be finalized shortly before the transaction closing.  
6 Current retirees from Verizon companies in the three northern states and employees who  
7 retire prior to the close of the transaction will remain a Verizon company responsibility  
8 with respect to pension and health and welfare obligations.

9 **Q. The Application filed in this proceeding states that Verizon may elect to have VNE**  
10 **create a new Spinco as a direct subsidiary of VNE, rather than of Verizon, and that**  
11 **the new company would ultimately merge with FRP. Please explain that alternative**  
12 **structure and its purpose.**

13 A. Section 2.4(e) of the Distribution Agreement gives Verizon the right to elect to use a  
14 slightly different transaction structure than that described above. Under the alternative  
15 structure as noted, VNE may create a new Spinco as a direct subsidiary of it, rather than  
16 of Verizon. In that event, Telco would be established as a Delaware limited liability  
17 company rather than as a Delaware corporation. VNE would transfer its membership  
18 interest in Telco directly to Spinco. VNE would take the place of Verizon with respect to  
19 certain of the debt financing steps discussed below. Then VNE would transfer the stock  
20 of Spinco to VNE's parent company, NYNEX Corporation, and then to Verizon. Under  
21 either alternative, Telco and Newco will be wholly-owned subsidiaries of Spinco, and  
22 Spinco will be a wholly owned subsidiary of Verizon Communications, just prior to the  
23 distribution of Spinco shares to Verizon shareholders.

1 Whether Verizon will elect to use the alternative structure depends on the tax  
2 consequences of using that structure or the primary structure. Verizon will seek a ruling  
3 from the IRS on these issues and expects that it will decide which structure to use well in  
4 advance of the hearings in this matter.

5 **Debt Financing**

6 **Q. Exhibit 4 to the Application states that FRP and Spinco will receive cash proceeds**  
7 **from lenders pursuant to a debt financing. Please explain the debt financing.**

8 A. FRP has secured \$2.08 billion in debt commitments, including \$200 million in a 6-year  
9 revolving credit facility, \$1.68 billion in an 8-year term loan and \$200 million in an 8-  
10 year 12-month delayed draw term loan. The lead arrangers for this debt package are  
11 Lehman Brothers Inc., Morgan Stanley and Bank of America. FRP will receive cash  
12 proceeds, and Spinco will also receive cash proceeds from this debt financing at the time  
13 it receives the Newco assets and the Telco stock.

14 Spinco will use the cash proceeds that it receives (which the parties expect may  
15 approximate \$900 million) to declare and pay a Special Dividend to Verizon (or, if  
16 Verizon elects the alternative structure discussed above, to VNE). This amount will be  
17 equal to the estimated tax basis Verizon has in the Spinco stock, prior to distribution to  
18 Verizon's shareholders. (The parties chose to limit the amount of the Special Dividend to  
19 the estimated tax basis in light of IRS rules that would disqualify any excess from tax-  
20 free treatment.)

21 Approximately \$640 million of the remaining cash proceeds from the debt  
22 financing will be used by FRP after the merger to refinance its pre-merger debt. FRP  
23 expects to use the remainder of the cash proceeds, the \$200 million delayed draw loan

1 and the \$200 million revolving credit facility for post-closing, back-office construction  
2 and ongoing working capital purposes.

3 **Q. Spinco will also issue debt securities to Verizon as part of the transaction. Please**  
4 **explain what securities will be issued, the amount and terms.**

5 A. At the time it declares and pays the Special Dividend, Spinco is required by Section  
6 2.4(b) of the Distribution Agreement to issue Spinco Securities (i.e., bonds) to Verizon  
7 (or in the event that Verizon elects to use the alternate structure under Section 2.4(e) of  
8 the Distribution Agreement, to VNE) in the principal amount of \$1.7 billion less the  
9 amount of the Special Dividend. Assuming a \$900 million Special Dividend, then the  
10 amount of the Spinco Securities will be approximately \$800 million. The Spinco  
11 Securities are to be senior, unsecured notes, with a 10-year term, payable on the tenth  
12 anniversary of their issuance and which FRP cannot call for early redemption during the  
13 first five years after they are issued. The Spinco Securities will rank equally with all  
14 existing and future senior unsecured indebtedness and senior to all existing and future  
15 subordinated indebtedness.

16 **Q. How was the \$1.7 billion amount determined?**

17 A. The parties negotiated the \$1.7 billion as part of their overall negotiations of the value of  
18 Spinco. The amount was deemed appropriate for the business based upon its current and  
19 expected cash flows. FRP and its advisors and Verizon and its advisors each conducted  
20 their own independent evaluation of the values of FRP and Spinco.

21 **Q. Who are the lenders committed to participating in this transaction?**



1 A. The lead arrangers for the debt financing are Lehman Brothers Inc., Morgan Stanley and  
2 Bank of America. These lenders have the right to syndicate the financing, and Deutsche  
3 Bank, Wachovia, Merrill Lynch and CoBank have also agreed to participate.

4 **Q. Please summarize the debt structure of FRP upon closing.**

5 A. Upon closing the transaction, FRP will have outstanding approximately \$2.35 billion in  
6 debt and have another \$400 million in debt available to it, either in the form of un-drawn  
7 revolver or delayed draw term loan.

8 Of the total \$2.35 billion, nearly \$640 million will be used to refinance FRP's pre-  
9 merger debt and approximately \$900 million is expected to be used to pay the special  
10 dividend to Verizon. Also, the parties anticipate that approximately \$800 million of  
11 FRP's debt will take the form of the Spinco Securities issued to Verizon. Thereafter,  
12 Verizon may use the Spinco Securities in a debt-for-debt exchange to retire Verizon debt  
13 held by other parties.

14 **Q. Please explain the potential debt exchange of Spinco Securities for Verizon debt.**

15 A. Verizon has a right to exchange the Spinco Securities for debt of Verizon that is held by  
16 third-party creditors. *See* Distribution Agreement, Section 2.4(d). The exchange would  
17 be facilitated through an unaffiliated third party which would acquire from creditors of  
18 Verizon debts owed by Verizon in the approximate amount of the Spinco Securities. The  
19 acquired Verizon debt could consist of bonds, commercial paper, short or long term debt  
20 obligations, bank debt or trade payables. The intermediary would then exchange that  
21 debt with Verizon in return for the Spinco Securities. Thereafter, the intermediary would  
22 re-market those Securities. (In the event that Verizon elects to use the alternative

1 structure discussed above, a similar debt exchange may take place using VNE external  
2 debt or internal affiliate debt instead of Verizon debt.)

3 **Q. What effect, if any, would consummation of the debt exchange have on FRP and its**  
4 **operations in Maine, New Hampshire and Vermont?**

5 A. The debt exchange will not have any effect on FRP or its operations in the Territory.

6 **The Distribution and Merger**

7 **Q. Upon issuance of the Special Dividend and the Spinco Securities, what are the next**  
8 **steps in the transaction?**

9 A. Verizon will then distribute all stock of Spinco to Verizon's shareholders. At that time,  
10 Spinco will no longer be a subsidiary of Verizon or an affiliate with other Verizon  
11 subsidiaries. Immediately upon the distribution of Spinco stock and pursuant to the  
12 Merger Agreement, Spinco will merge with and into FRP, with FRP surviving and the  
13 Spinco Securities becoming the debt obligations of FRP.

14 **Q. What happens to the shares in Spinco that had been distributed to Verizon**  
15 **shareholders?**

16 A. At the time of the merger, Verizon shareholders who hold Spinco shares will exchange  
17 them for FRP shares through an exchange ratio yielding one share of FRP common stock  
18 for every 55 shares of Verizon stock.

19 **Q. How was that ratio determined?**

20 A. The ratio was determined as a result of arms length negotiations as part of the valuations  
21 of Spinco and the relative value of the ownership interests each company's shareholders  
22 would hold in the combined company after the merger. In order to qualify as a tax-free  
23 event under the Internal Revenue Code and regulations, the merger must result in

1 shareholders of Verizon owning a majority of FRP. Based on the relative value of Spinco  
2 and FRP, the parties agreed that Verizon shareholders will own approximately 60% of the  
3 surviving company post-merger. The number of new shares to be issued to Verizon  
4 shareholders to represent approximately 60% of the surviving company bears a 1:55 ratio  
5 to the number of currently outstanding shares in Verizon.

6 **Pension Issues**

7 **Q. How do the Agreements address Verizon's current pension obligations?**

8 A. Under the terms of the Employee Matters Agreement, Article V, new FRP pension plans  
9 will accept pension assets from Verizon's plan and will assume the pension liability  
10 associated with employees of Telco and Newco who are active at the time of the closing.  
11 Verizon's pension plans will retain the pension obligations associated with employees  
12 who retire prior to the closing.

13 **Q. How have the parties provided for FRP's financial ability to fund its new**  
14 **obligations?**

15 A. For both active management and union-represented employees who are included in the  
16 transaction, Verizon will transfer assets from the Verizon plans in an amount that will  
17 fully fund the FRP pension plans at closing. *See* Employee Matters Agreement, Section  
18 5.2.

19 Following the closing, FRP will be responsible for any future funding of the FRP  
20 pension plans, if required.

21 **Q. What is the current funding status of Verizon's pension plan?**

22 A. The Verizon plan for management participants is currently fully-funded. The Verizon  
23 plan for union participants is currently slightly under-funded.

1 **Circumstances Immediately After Closing**

2 **FRP**

3 **Q. Upon the closing of the merger, who will own FRP?**

4 A. Immediately following the closing of the merger, the outstanding shares of FRP will be  
5 owned approximately 60% by Verizon shareholders and approximately 40% by FRP  
6 shareholders.

7 **Q. At that point, will Verizon own any part of FRP?**

8 A. No. After the merger, Verizon shareholders will own stock in FRP, but Verizon itself  
9 will not.

10 **Q. Please describe the structure of FRP and the operating companies at that time.**

11 A. Immediately following the merger, FRP will wholly own Telco and Newco, the operating  
12 companies, as direct subsidiaries. In addition, FRP will own directly or indirectly other  
13 subsidiaries that pre-existed the merger transaction, which Mr. Walter Leach of FRP  
14 refers to in his testimony as “existing FairPoint.” My understanding is that FRP intends  
15 to maintain its pre-merger subsidiaries in Maine, New Hampshire and Vermont as  
16 distinct entities, separate from Telco and Newco.

17 **Q. Please describe the make-up of the FRP Board of Directors after the merger.**

18 A. After the merger, FRP will have a nine-member Board of Directors. Under Section 7.19  
19 of the Merger Agreement, six of the nine Board members will be nominated by Verizon.  
20 None of the Verizon nominees may be employees of Verizon, Verizon Wireless or their  
21 affiliates. Thus, Verizon will have no control over the operations of FRP post-merger.  
22 FRP’s existing Chairman of its Board, Gene Johnson, will continue in that position post-  
23 merger.

1        **Verizon Companies**

2        **Q.    After the closing, which Verizon companies will still have business in Maine, New**  
3        **Hampshire and Vermont, and what operations and businesses will they have?**

4        A.    After the closing, the following Verizon companies will continue to conduct business in  
5        these states:

6            – Verizon Business Global LLC, which is the successor to the business of MCI, Inc.,  
7            and direct and indirect subsidiaries of Verizon Business Global LLC will market, sell  
8            and deliver local, long distance and enhanced telecommunications services  
9            principally to enterprise and government customers over owned or resold networks;

10          – Cellco Partnership (d/b/a Verizon Wireless) will market, sell and deliver wireless  
11          services;

12          – Verizon Network Integration Corp. will market, sell and deliver non-LEC network  
13          integration services to commercial and government customers;

14          – Verizon Federal Inc. will provide customized communication systems integration and  
15          converged solutions to federal civilian and defense government agencies, state and  
16          local government, and education customers;

17          – Verizon Federal Network Systems LLC will provide federal government customers  
18          with enterprise-wide communication solutions and professional services, including  
19          network integration, information security, professional services and operations and  
20          maintenance;

21          – Verizon Global Networks Inc. will maintain long distance networks used by Verizon  
22          affiliates and third parties;

- 1           – NYNEX LD and BACI will retain their state and federal long distance authority in  
2           order to terminate long distance traffic in the three states; and  
3           – VSSI will offer prepaid card, payphone dial-around services and dedicated internet  
4           access.

5           The transaction agreements do not include any non-compete provisions. Accordingly, all  
6           parties are free to pursue business in the Territory, given appropriate state authorizations.  
7           While VNE will terminate its authority to conduct business in Maine, New Hampshire  
8           and Vermont, all Verizon affiliates will retain the right to offer Voice over Internet  
9           Protocol services to customers in those markets.

10    **E-911 Service**

11    **Q.    As part of this transaction, will FRP assume VNE’s contract in New Hampshire to**  
12    **provide E911-related services?**

13    A.    Yes.

14    **Q.    Given that the E911 database for New Hampshire is in Massachusetts, how will the**  
15    **parties address this issue?**

16    A.    Under its 911 contract with the State of New Hampshire, the New Hampshire Bureau of  
17    Emergency Communications (the “NHBECC”) has assumed responsibility for database  
18    management and Automatic Location Identification (“ALI”) services. Verizon is  
19    responsible for the delivery of the 911 call and associated Automatic Number  
20    Identification (“ANI”). On a transitional basis, however, Verizon is continuing to  
21    provide both database management and ALI services, pending the Bureau’s assumption  
22    of those responsibilities.

1           The ALI database is supported by mated database systems located in Burlington,  
2 MA and Pearl River, NY. The mated system means that a 911 query is sent to both  
3 locations and a response then returned from either of the two locations. The first  
4 response is used and the second is discarded. The database information in the two  
5 locations is identical and supports Verizon service areas in Maine, New Hampshire,  
6 Massachusetts, Rhode Island and New York. At the closing of the transaction, FRP will  
7 assume the 911 network and associated responsibilities of the New Hampshire 911  
8 contract. During the period of the Transition Services Agreement, Verizon will provide  
9 the 911-related services to FRP. At Cutover, FRP will assume those 911-related  
10 activities going forward.

11 **Q. Likewise, Verizon currently monitors its E911 system performance in New**  
12 **Hampshire, Massachusetts, Rhode Island and New York from mated database**  
13 **systems located in Massachusetts and New York. How will this be addressed after**  
14 **the merger?**

15 A. Because of the important redundancy function that the mated database systems perform,  
16 the systems cannot be separated. Instead, at Cutover, FRP will assume the going forward  
17 E911 activities.

18 **Verizon Treatment of Wholesale Relationships**

19 **Q. What effect will the transaction have on VNE's wholesale arrangements and**  
20 **obligations?**

21 A. The transaction will have no effect on interconnection agreements and other contracts  
22 that address geographic areas wholly outside of Maine, New Hampshire and Vermont. If  
23 contracts address areas wholly within the three states, the contracts will be assigned to

1 FRP, pursuant to customer consent where required. For contracts that address areas both  
2 within and outside the three states, Verizon is willing to amend the contracts to exclude  
3 service within the three states, and FRP will seek to negotiate replacement contracts on  
4 substantially the same terms.

5 **Q. What portion of VNE's current interconnection agreements and other wholesale**  
6 **arrangements address areas both within and outside of the Territory?**

7 A. A review of the contracts maintained by Verizon as of February 15, 2007, show that 22%  
8 of its wholesale arrangements (70 of 312 arrangements) that provide for service in Maine,  
9 New Hampshire or Vermont also provide for service in other states.

10 **Q. How do the parties intend to address volume commitments in wholesale agreements**  
11 **that depend on volume both within and outside the Territory?**

12 A. Verizon and FRP are already communicating with Verizon's existing wholesale and  
13 carrier customers in Maine, New Hampshire and Vermont to explain the pending  
14 transaction and its implications for existing customer agreements. As part of these  
15 discussions, Verizon and FRP will re-negotiate and amend volume commitments to  
16 reflect the change in the scope of service post-closing.

17 **The Transition Services Agreement**

18 **Q. Please explain the purpose of the Transition Services Agreement ("TSA").**

19 A. For purposes of quality, consistency and economy, Verizon delivers many administrative  
20 and operating support services to its local exchange and non-LEC affiliates from  
21 centralized Verizon support service groups and systems. These groups deliver  
22 accounting and tax services, provide legal and regulatory support, administer human  
23 resource programs, engineer and remotely monitor networks, provide product



1 management, support enterprise and wholesale relationships, perform customer billing,  
2 support customer bill and service inquiries, manage receivables and payables, maintain  
3 fleet and logistics operations, develop and maintain information systems, and perform  
4 other support-related activities.

5 Because these Verizon support groups are centralized and perform activities for  
6 many Verizon affiliates, including VNE, their activities will not be conveyed to FRP as  
7 part of the transaction. The purpose of the Transition Services Agreement, Exhibit SES-4  
8 hereto, is to provide FRP with major support services until such time as FRP develops its  
9 own support systems and groups to provide these services.

10 **Q. Please summarize the key terms of the TSA.**

11 A. The basic terms of the TSA include the following:

- 12 1. Verizon will commence providing services as of the transaction closing and will  
13 continue until FRP sends a notice of cutover. The parties expect that the cutover  
14 will occur within 15 months after closing, but Verizon will continue to provide  
15 the transition services until FRP is prepared to assume that responsibility. *See*  
16 *TSA Section 13, 13.2.*
- 17 2. The services to be provided, described in more detail below, support local  
18 exchange, long distance and internet service provider (“ISP”) operations, general  
19 and administrative needs, and human resource administration.
- 20 3. Service fees are fixed and scheduled, as discussed below, with respect to services  
21 delivered directly by Verizon or its affiliates.
- 22 4. Third-party vendor fees associated with the delivery of most support services will  
23 be borne by Verizon, but such fees associated with the delivery of employee

1 benefit services or ISP services, described in more detail below, will be borne by  
2 FRP. *See* TSA Section 2.2.

3 5. The functionality of each service is limited to such functionality as is provided to  
4 VNE or any of the Verizon Contributing Companies, as applicable, on the date  
5 immediately preceding the closing. *See* TSA Section 3.1. Under Section 3.2,  
6 changes to services will be permitted as required by law or as mutually agreed by  
7 the parties.

8 6. Likewise, Verizon and its affiliates will perform the transition services: (a) in a  
9 manner that is in compliance with law; and (b) with the same overall standards as  
10 now being provided to VNE. *See* TSA Section 7.1.

11 **The Transition Services**

12 **Q. What services will be provided under the TSA?**

13 A. There are four schedules of services that will be provided under the TSA. (*See* Exhibit  
14 SES-4.) They are:

15 Schedule A Services - A schedule of 81 services, including accounting, human  
16 resource, interconnection support and related settlements,  
17 engineering, network provisioning and support, repair operations  
18 support, performance assurance, retail markets support,  
19 wholesale support, information systems support, and financial  
20 operations including billing and distribution, remittance  
21 processing, credit and collections, accounts receivable and  
22 payable management, payroll and time reporting, and logistics  
23 support.



1 environmental and safety management, risk management, investor relations, benefit  
2 design, compensation planning, diversity compliance, labor relations, staffing, workforce  
3 and leadership development, and credit and collections. These services are also not  
4 included in the TSA.

5 Under its existing agreements with certain third parties, Verizon cannot provide  
6 certain services, such as purchasing inventory, from third parties for non-affiliates.  
7 Therefore, FRP will need to assume responsibility for the planning of handling purchases  
8 from third-party vendors.

9 **Q. What changes will there be for CLECs ordering wholesale services when Verizon**  
10 **commences providing transition services in place of Verizon services as of the**  
11 **closing of the transaction?**

12 A. None. The wholesale ordering and provisioning systems, including CLEC interfaces, as  
13 well as the other administrative systems, will not change with the shift to transition  
14 services. I cannot say, however, whether the shift off of transition services to the new  
15 systems being developed by FRP and Capgemini U.S. LLC will result in changes in the  
16 wholesale ordering and provisioning process.

17 **Q. Does the TSA allow the parties to modify its scope?**

18 A. Yes, Section 3.2(a) of the TSA authorizes Verizon to modify the transition services it  
19 provides if it determines that changes are necessary or desirable to conform to the manner  
20 in which similar services are being provided to VNE or the Contributing Companies after  
21 the closing, provided that the changes comply with law and Verizon reimburses FRP for  
22 the reasonable out-of-pocket costs FRP incurs in connection with such change. In  
23 addition, Section 3.2(b) of the TSA authorizes FRP to request a change in the transition

1 services if necessary to comply with law or requirements of a governmental authority,  
2 and Section 3.2(c) obligates Verizon to provide the modified service and requires FRP to  
3 pay for such changes.

4 **Cutover Planning**

5 **Q. Please explain the terms of the TSA regarding the eventual transfer of services from**  
6 **Verizon under the TSA to FRP, Telco and Newco?**

7 A. As part of the TSA, the parties have agreed to establish a comprehensive planning and  
8 management structure to ensure a smooth and seamless transition from reliance on  
9 Verizon support service to FRP's own support systems. *See* TSA Article IV.

10 First, under Section 4.1 of the TSA, Verizon and FRP have established a Cutover  
11 Planning Committee to discuss and plan cutover activities and formulate a detailed  
12 schedule of cutover steps with related timeline. The Cutover Planning Committee meets  
13 weekly. In addition to myself, my transition and cutover team includes two dedicated  
14 members from my staff and over 30 specialists and subject-matter experts spanning our  
15 Telecom, Enterprise, Wireless and Corporate Support groups.

16 Second, the TSA establishes speedy timelines for the parties to develop cutover  
17 planning documents. By April 15<sup>th</sup>, Verizon will provide FRP with a Preliminary  
18 Cutover Plan for activities and tasks that will be completed prior to and immediately  
19 following the cutover date, including matters related to ISP service cutover. Also by  
20 April 15<sup>th</sup>, FRP will provide Verizon with a Preliminary FRP Cutover Preparation Tasks  
21 plan for the activities and tasks related to pre-cutover acceptance, testing and processing  
22 of Verizon's data extracts, and the plan to establish FRP systems and processes in order

1 to allow FRP to function independent of Verizon. The parties will then review and  
2 discuss the plans in order to finalize them by June 15<sup>th</sup>.

3 **Q. What have the parties done to date to implement the cutover provisions of the TSA?**

4 A. On February 12<sup>th</sup> and 13<sup>th</sup>, the parties met for an initial planning session. At the session,  
5 Cutover Planning Committee members and other key planning personnel were  
6 introduced, major cutover activities were identified and a broad cutover timeline was  
7 discussed.

8 Since the February meeting, teams at Verizon and FRP and Capgemini have  
9 continued to work, separately and together, to develop their various cutover plans. In  
10 addition, the Cutover Planning Committee has been meeting weekly since February 26<sup>th</sup>.

11 **Q. Please describe the kinds of issues that you expect to be addressed in the Cutover**  
12 **Plan.**

13 A. The Cutover Plan will describe the data and business information that Verizon will  
14 provide to FRP to enable FRP to manage the business post-closing. This includes the  
15 cutover of Internet services, which is specifically addressed in Schedule E of the TSA.  
16 The plan will also provide a timeline for data and business delivery, including a series of  
17 test extracts from Verizon information systems. The Preliminary FRP Cutover  
18 Preparation Tasks will describe the testing of this extract data by FRP in the new FRP  
19 systems.

20 **Q. What is Verizon's anticipated role in the cutover?**

21 A. In the cutover, Verizon will extract final Spinco data from its information systems and  
22 deliver that data to FRP for use in its new systems. Verizon will also provide record  
23 counts and other system extract tests to confirm that the data being provided to FRP is

1 complete. In addition, Verizon will staff a 24-hour service desk seven days a week to  
2 assist FRP with data-related cutover issues, should they arise. Verizon will staff this  
3 service desk for as long as needed.

4 **Pricing**

5 **Q. Please explain the fees and pricing terms of the TSA.**

6 A. There are separate fee provisions for each schedule of services:

7 Schedule A - For the first 8 months after the closing date, Verizon will provide the  
8 administrative, "back-office" services in Schedule A for \$14.2 million per  
9 month. In months 9 through 12, the fee is reduced by \$500,000 each  
10 month. For the 13<sup>th</sup> month, however, the fee will be \$14.7 million, and  
11 following that until termination of Schedule A services, the fee will  
12 increase by \$500,000 each month. FRP negotiated for the decreases in  
13 months 9 through 12 to provide financial incentives for Verizon to help  
14 FRP complete the cutover at the earliest possible time.

15 Schedule B - FRP will pay \$41.5 million for information systems isolation if Cutover of  
16 Schedule A and Schedule D (i.e., ISP) services occurs at any time within  
17 three months of the closing date. If Cutover of those services occurs at  
18 any time thereafter, then services will be provided for \$34.0 million. FRP  
19 negotiated for the different level of reimbursement to provide a financial  
20 incentive for Verizon to help FRP complete the cutover at the earliest  
21 possible time.

22 Schedule C - Verizon will provide the employee benefits services for a fee of \$52,000  
23 per month.

1 Schedule D - Verizon will provide the ISP services for the fee stated in Schedule D.

2 **Q. What other amounts are payable by FRP under the TSA?**

3 A. All Schedule A, B, C and D fees are exclusive of any transaction taxes. If such taxes are  
4 assessed against Verizon for transition service delivery, then the tax amounts will be  
5 added to the fees associated with the service which gave rise to the tax. Also, as noted  
6 above, FRP will reimburse Verizon for third-party costs incurred in delivering the  
7 employee benefits and ISP services under Schedules C and D respectively. In addition,  
8 FRP may request consultation service from Verizon as described in Section 2.3 of the  
9 TSA, which will carry a fee rate of \$125 an hour after the first 500 hours.

10 **The Term of the TSA**

11 **Q. Please explain the provisions of the TSA governing its duration and term.**

12 A. Under Article 13 of the TSA, Verizon will cease providing transition services within 60-  
13 90 days following written notice from FRP that it is ready to cutover. The 60-90 day  
14 period is intended to insure that there is sufficient time to perform final cutover staging  
15 and that the cutover will not be done during a month when Verizon performs its routine  
16 system maintenance, modifications and/or upgrades. The parties envision a 15-month  
17 TSA term, but FRP can extend the term if it needs additional time to develop its own  
18 systems and support groups. The parties also envision that the transition services will  
19 terminate simultaneously, but Verizon has also given FRP the options to terminate the  
20 employee benefit services under Schedule C ahead of or after termination of Schedule A  
21 (administrative) and D (ISP) services.



1 **VZ Performance under the TSA**

2 **Q. During the period of the TSA, will it be apparent (or transparent) to customers that**  
3 **Verizon companies continue to provide services, such as billing, employee benefits**  
4 **management and the rest?**

5 A. Verizon's continued role under the TSA after the closing will be no secret, but any direct  
6 customer contact, such as billing, will be in the name of FRP.

7 **Q. What performance criteria does the TSA impose on Verizon?**

8 A. Under Article 7 of the TSA, entitled "Service Level Commitments," Verizon's  
9 performance must comply with applicable law and regulatory requirements and meet the  
10 same overall standards of quality, timeliness and efficiency as such services are then  
11 being provided to VNE and the Contributing Companies, taking into account reasonable  
12 fluctuations that occur from month to month. Essentially, this means that Verizon must  
13 perform as well for FRP as it performs for its own similarly-situated affiliates, like VNE,  
14 and also enable FRP to meet its legal and regulatory obligations with respect to the  
15 transition services.

16 **Q. Will Verizon's performance under the TSA be subject to either the Performance**  
17 **Assurance Plan or the Carrier to Carrier Guidelines?**

18 A. Yes. It will be subject to both.

19 **Q. What happens under the TSA if Verizon fails to satisfy its service level**  
20 **commitments?**

21 A. If the parties have disputes regarding service levels, the TSA provides for the  
22 identification of a Single Point of Contact from each side to investigate the matter and  
23 meet to resolve it. See TSA Article 11. If the Single Points of Contact cannot resolve the

1 matter, then it is referred to Senior Executive Officers within each company. If the  
2 parties are still unable to resolve the dispute, the TSA provides for arbitration. The  
3 arbitrators could assess damages if Verizon fails to satisfy its service level commitments.

4 **Q. Does this conclude your testimony?**

5 A. Yes.

**NH Docket DT 07-011**  
**Exhibit SES-1**  
**Merger Agreement 1-15-2007**

CORRECTED EXECUTION COPY

AGREEMENT AND PLAN OF MERGER  
DATED AS OF JANUARY 15, 2007  
BY AND AMONG  
VERIZON COMMUNICATIONS INC.,  
NORTHERN NEW ENGLAND SPINCO INC.  
AND  
FAIRPOINT COMMUNICATIONS, INC.

ARTICLE I	Definitions.....	3
ARTICLE II	The Merger.....	23
2.1	The Merger.....	23
2.2	Closing .....	23
2.3	Effective Time .....	23
2.4	Effects of the Merger .....	23
2.5	Certificate of Incorporation and Bylaws of the Surviving Corporation. ....	24
2.6	Directors and Officers of the Surviving Corporation .....	24
2.7	Potential Restructuring of Transactions.....	24
ARTICLE III	Conversion of Shares; Exchange of Certificates .....	25
3.1	Effect on Capital Stock .....	25
3.2	Distribution of Per Share Merger Consideration. ....	26
3.3	Fractional Shares.....	28
ARTICLE IV	Representations and Warranties of Verizon .....	29
4.1	Organization; Qualification .....	29
4.2	Corporate Authority; No Violation.....	29
4.3	Information Supplied .....	31
4.4	Brokers or Finders.....	31
ARTICLE V	Representations and Warranties of Verizon and Spinco.....	31
5.1	Organization, Qualification.....	31
5.2	Capital Stock and Other Matters.....	32
5.3	Corporate Authority; No Violation.....	32
5.4	Financial Statements. ....	34
5.5	Absence of Certain Changes or Events.....	35
5.6	Investigations; Litigation .....	35
5.7	Compliance with Laws .....	36
5.8	Proxy Statement/Prospectus; Registration Statements .....	36
5.9	Information Supplied .....	36
5.10	Environmental Matters.....	37
5.11	Tax Matters. ....	38
5.12	Benefit Plans. ....	40
5.13	Labor Matters.....	41
5.14	Intellectual Property.....	42
5.15	Material Contracts.....	43
5.16	Board and Stockholder Approval.....	43
5.17	Sufficiency of Assets. ....	44
5.18	Spinco Real Property. ....	45
5.19	Communications Regulatory Matters. ....	46

~~Table of Contents~~  
~~ME-EX-1875~~  
Docket DT 07-011  
(continued)

		<u>Page</u>
5.20	Company Common Stock .....	46
5.21	Affiliate Transactions.....	47
5.22	Certain Entities Not ILECs .....	47
5.23	Reseller Agreement.....	47
ARTICLE VI	Representations and Warranties of the Company .....	47
6.1	Organization; Qualification. ....	47
6.2	Capital Stock and Other Matters.....	48
6.3	Corporate Authority; No Violation.....	49
6.4	Company Reports and Financial Statements. ....	50
6.5	Absence of Certain Changes or Events.....	52
6.6	Investigations; Litigation .....	52
6.7	Compliance with Laws .....	53
6.8	Proxy Statement/Prospectus; Registration Statements .....	53
6.9	Information Supplied .....	53
6.10	Environmental Matters.....	54
6.11	Tax Matters. ....	55
6.12	Benefit Plans. ....	56
6.13	Labor Matters.....	58
6.14	Intellectual Property.....	58
6.15	Communications Regulatory Matters. ....	59
6.16	Material Contracts.....	60
6.17	Company Real Property.....	61
6.18	Opinion of Company Financial Advisor.....	62
6.19	Brokers or Finders.....	62
6.20	Takeover Statutes.....	62
6.21	Certain Board Findings .....	62
6.22	Vote Required .....	62
6.23	Affiliate Transactions.....	63
ARTICLE VII	Covenants and Agreements.....	63
7.1	Conduct of Business by the Company Pending the Merger .....	63
7.2	Conduct of Spinco Business Pending the Merger.....	67
7.3	Proxy Statement/Prospectus; Registration Statements. ....	72
7.4	Stockholders Meeting. ....	74
7.5	Efforts to Close .....	74
7.6	Regulatory Matters.....	75
7.7	Employee Matters .....	79
7.8	Certain Third Party Consents.....	79
7.9	Tax Matters. ....	82
7.10	Access to Information .....	83
7.11	No Solicitation by the Company.....	84
7.12	Director and Officer Matters.....	86

~~Table of Contents~~  
ME-EX-18-018  
Docket DT 07-011  
(continued)

	<u>Page</u>
7.13	Rule 145 Affiliates.....87
7.14	Public Announcements .....87
7.15	Notification. ....87
7.16	Real Property Matters .....87
7.17	Control of Other Party’s Business .....88
7.18	Financial Statements and Related Information. ....88
7.19	Directors of the Surviving Corporation .....90
7.20	Financing.....90
7.21	Accountants.....93
7.22	Disclosure Controls.....94
7.23	Listing .....94
7.24	Required Spinco Business Capital Expenditures .....94
7.25	Reseller Agreement.....94
7.26	Purchasing Arrangement.....95
7.27	Joint Defense Arrangements .....96
ARTICLE VIII	Conditions to the Merger .....97
8.1	Conditions to the Obligations of Spinco, Verizon and the Company to Effect the Merger .....97
8.2	Additional Conditions to the Obligations of Verizon and Spinco .....99
8.3	Additional Conditions to the Obligations of the Company .....100
ARTICLE IX	Termination, Amendment and Waivers .....101
9.1	Termination.....101
9.2	Effect of Termination.....104
9.3	Amounts Payable in Certain Circumstances.....104
9.4	Amendment.....105
9.5	Waivers .....105
ARTICLE X	Survival; Indemnification .....105
10.1	Survival of Representations, Warranties and Agreements .....105
10.2	Indemnification. ....106
10.3	Definitions for Purposes of this Article. ....107
10.4	Limitation on Claims for Indemnifiable Losses .....107
10.5	Defense of Claims.....108
10.6	Subrogation.....110
10.7	Other Rights and Remedies .....110
ARTICLE XI	Miscellaneous .....110
11.1	Expenses .....110
11.2	Notices .....111
11.3	Interpretation; Consent.....113
11.4	Severability .....114
11.5	Assignment; Binding Effect.....114

~~ME-EX-18-018~~  
~~Docket DT 07-011~~  
Table of Contents  
(continued)

	<u>Page</u>
11.6	No Third Party Beneficiaries ..... 114
11.7	Limited Liability ..... 114
11.8	Entire Agreement ..... 115
11.9	Governing Law ..... 115
11.10	Counterparts ..... 115
11.11	Waiver of Jury Trial ..... 115
11.12	Jurisdiction; Enforcement ..... 115
11.13	Knowledge Convention ..... 116
Exhibit A	Form of Rule 145 Affiliate Agreement



## AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of January 15, 2007 (this "Agreement"), is by and among VERIZON COMMUNICATIONS INC., a Delaware corporation ("Verizon"), NORTHERN NEW ENGLAND SPINCO INC., a Delaware corporation ("Spinco"), and FAIRPOINT COMMUNICATIONS, INC., a Delaware corporation (the "Company").

WHEREAS, Spinco is a newly formed, wholly owned, direct Subsidiary of Verizon;

WHEREAS, on or prior to the Distribution Date (as such term, and each other capitalized term used herein and not defined, is defined in Article I hereof), and subject to the terms and conditions set forth in the Distribution Agreement entered into by and between Verizon and Spinco on the date hereof (the "Distribution Agreement"), Verizon New England Inc., a New York corporation ("Verizon New England"), which is a wholly owned, direct Subsidiary of NYNEX Corporation, a Delaware corporation ("NYNEX"), which is a wholly owned, direct Subsidiary of Verizon, will cause the formation of Northern New England Telephone Operations Inc. ("ILEC Spinco Subsidiary"), which will be a wholly-owned direct Subsidiary of Verizon New England;

WHEREAS, on or prior to the Distribution Date, Verizon New England will transfer to ILEC Spinco Subsidiary certain Spinco Assets and Spinco Liabilities in the manner set forth in the Distribution Agreement and will thereafter distribute all capital stock of ILEC Spinco Subsidiary to NYNEX (such transfers and the distribution, the "First Internal Spinoff"), which in turn will distribute all capital stock of ILEC Spinco Subsidiary to Verizon (the "Second Internal Spinoff" and, together with the First Internal Spinoff, the "Internal Spinoffs");

WHEREAS, on or prior to the Distribution Date, certain Subsidiaries of Verizon will transfer to Verizon, via intercompany dividends or sales or otherwise, certain Spinco Assets and Spinco Liabilities in the manner set forth in the Distribution Agreement (the "Internal Restructuring");

WHEREAS, on or prior to the Distribution Date, Spinco will issue to Verizon the Spinco Common Stock (as defined in the Distribution Agreement) and distribute to Verizon the Spinco Securities (as defined in the Distribution Agreement) and pay to Verizon the Special Dividend (as defined in the Distribution Agreement), all of which will occur in exchange for Verizon transferring to Spinco the stock of ILEC Spinco Subsidiary and certain other Spinco Assets and Spinco Liabilities relating to the non-ILEC portion of the Spinco Business in the manner set forth in the Distribution Agreement (the transactions described in this recital, collectively, the "Contribution");

WHEREAS, upon the terms and subject to the conditions set forth in the Distribution Agreement, on the Distribution Date, Verizon will distribute all of the issued and outstanding shares of Spinco Common Stock to the Distribution Agent for the benefit of the holders of the outstanding Verizon Common Stock (the “Distribution”);

WHEREAS, at the Effective Time, the parties will effect the merger of Spinco with and into the Company, with the Company continuing as the surviving corporation, all upon the terms and subject to the conditions set forth herein;

WHEREAS, the Board of Directors of the Company (i) has determined that the Merger and this Agreement are advisable, fair to, and in the best interests of, the Company and its stockholders and has approved this Agreement and the transactions contemplated thereby, including the Merger, and the issuance of shares of Company Common Stock pursuant to the Merger, and (ii) has recommended the adoption by the stockholders of the Company of this Agreement and the approval of the transactions contemplated hereby;

WHEREAS, the Board of Directors of Spinco has (i) determined that the Merger and this Agreement are advisable, fair to and in the best interests of Spinco and its sole stockholder, Verizon, and has approved this Agreement and the Distribution Agreement and the transactions contemplated hereby and thereby, including the Contribution, the Debt Exchange (as defined in the Distribution Agreement), the Distribution and the Merger, and (ii) recommended the adoption by Verizon, as the sole stockholder of Spinco, of this Agreement and the approval of the transactions contemplated hereby;

WHEREAS, the Board of Directors of Verizon has approved this Agreement and the Distribution Agreement and the transactions contemplated hereby and thereby, including the Internal Spinoffs, the Internal Restructuring, the Contribution, the Distribution, the Debt Exchange and the Merger;

WHEREAS, prior to the execution of this Agreement, as an inducement to Verizon’s willingness to enter into this Agreement and incur the obligations set forth herein, the Company’s stockholders who are parties to the Nominating Agreement have entered into the Termination Agreement, dated as of January 15, 2007 (the “Termination Agreement”), pursuant to which such stockholders have agreed, among other things, to cause their designees to the Board of Directors of the Company to resign by no later than immediately prior to the Effective Time and to terminate the Nominating Agreement effective immediately prior to the Effective Time;

WHEREAS, the parties to this Agreement intend that (i) the First Internal Spinoff qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”) and a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (ii) the Second Internal Spinoff qualify as a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code;

(iii) the Contribution, together with the Distribution, qualify as a tax-free reorganization under Section 368(a)(1)(D) of the Code; (iv) the Distribution qualify as a distribution of Spinco stock to Verizon stockholders eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (v) no gain or loss be recognized by Verizon for federal income tax purposes in connection with the receipt of the Spinco Securities or the consummation of the Debt Exchange; (vi) the Special Dividend qualify as money transferred to creditors or distributed to shareholders in connection with the reorganization within the meaning of Section 361(b)(1) of the Code, to the extent that Verizon distributes the Special Dividend to its creditors and/or shareholders in connection with the Contribution; (vii) the Merger qualify as a tax-free reorganization pursuant to Section 368 of the Code; and (viii) no gain or loss be recognized as a result of such transactions for federal income tax purposes by any of Verizon, Spinco, and their respective stockholders and Subsidiaries (except to the extent of cash received in lieu of fractional shares); and

WHEREAS, the parties to this Agreement intend that throughout the internal restructurings taken in contemplation of this Agreement, including the Internal Spinoffs and Internal Restructurings, the Contribution and the Distribution, and throughout the Merger, the Spinco Employees shall maintain uninterrupted continuity of employment, compensation and benefits, and also for union represented employees, uninterrupted continuity of coverage under their collective bargaining agreements, in each case as described in the Employee Matters Agreement.

NOW, THEREFORE, in consideration of these premises, the representations, warranties, covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

## ARTICLE I

### DEFINITIONS

- 1.1 “2006 Financial Statements” has the meaning set forth in Section 7.18(a).
- 1.2 “Action” has the meaning set forth in Section 7.12(c).
- 1.3 “Additional Company SEC Documents” has the meaning set forth in Section 6.4(b).

1.4 “Affiliate” means a Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person. The term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other

ownership interest, by contract or otherwise; provided, however, that for purposes of this Agreement, (i) from and after the Distribution Date, no member of either Group shall be deemed an Affiliate of any member of the other Group and (ii) none of Cellco Partnership or any of its Subsidiaries shall be deemed Affiliates or Subsidiaries of Verizon.

1.5 “Aggregate Merger Consideration” has the meaning set forth in Section 3.1(a).

1.6 “Agreement” has the meaning set forth in the Preamble hereto.

1.7 “Alternative Financing” has the meaning set forth in Section 7.20(c).

1.8 “Approved for Listing” means, with respect to the shares of Company Common Stock to be issued pursuant to the Merger, that such shares have been approved for listing on the NYSE, subject to official notice of issuance.

1.9 “Audited Financial Statements” has the meaning set forth in Section 5.4(a)(i).

1.10 “Backstop Facility Commitment” means the FairPoint Communications, Inc. Refinancing – Commitment Letter, dated as of the date hereof, from Deutsche Bank Trust Company Americas and Deutsche Bank Securities Inc. to the Company, and the related fee letter of even date therewith among the parties thereto.

1.11 “Blended Customer Contracts” has the meaning set forth in the Distribution Agreement.

1.12 “Business Day” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by applicable Law to close.

1.13 “CALEA” has the meaning set forth in Section 5.19(b).

1.14 “Certificate of Merger” has the meaning set forth in Section 2.3.

1.15 “Closing” has the meaning set forth in Section 2.2.

1.16 “Closing Date” has the meaning set forth in Section 2.2.

1.17 “Code” has the meaning set forth in the recitals hereto.

1.18 “Commitment Letter” means the Project Nor’easter Commitment Letter, dated as of the date hereof, from Lehman Commercial Paper Inc., Lehman Brothers Inc., Bank of America, N.A., Banc of America Securities LLC and Morgan Stanley Senior

Funding, Inc. to the Company, and the related fee letter of even date therewith among the parties thereto.

1.19 “Communications Act” means the Communications Act of 1934, as amended.

1.20 “Company” has the meaning set forth in the Preamble hereto.

1.21 “Company Acquisition” means, in each case other than the Merger or as otherwise specifically contemplated by this Agreement, (i) any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving the Company or any of its Significant Subsidiaries; (ii) any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of the consolidated assets (including stock of the Company Subsidiaries) of the Company and the Company Subsidiaries, taken as a whole, constituting 15% or more of the total consolidated assets of the Company and the Company Subsidiaries, taken as a whole, or accounting for 15% or more of the total consolidated revenues of the Company and the Company Subsidiaries, taken as a whole, in any one transaction or in a series of transactions; (iii) any direct or indirect purchase or sale of or tender offer, exchange offer or any similar transaction or series of related transactions engaged in by any Person following which any Person (including any “group” as defined in Section 13(d)(3) of the Exchange Act) owns 15% or more of the outstanding shares of Company Common Stock; or (iv) any other substantially similar transaction or series of related transactions that would reasonably be expected to prevent or materially impair or delay the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements.

1.22 “Company Acquisition Proposal” means any proposal regarding a Company Acquisition.

1.23 “Company Adjusted EBITDA” means, for the applicable twelve month period ending with any specified fiscal quarter, the consolidated operating income of the Company and the Company Subsidiaries during such period before interest, taxes, depreciation and amortization calculated in a manner consistent with the definition of “Adjusted Consolidated EBITDA” in the Company Credit Agreement as in effect on the date hereof (excluding, for avoidance of doubt, income attributable to Orange-Poughkeepsie Limited Partnership, a New York limited partnership), plus, without duplication, all fees and expenses incurred by the Company or any of the Company Subsidiaries in connection with this Agreement or any other Transaction Agreement, or the transactions contemplated hereby or thereby, including any Qualified Transition Expenses (but not including any fees and expenses reimbursed or payable by Verizon).

1.24 “Company Approvals” has the meaning set forth in Section 6.3(d).

1.25 “Company Benefit Plans” has the meaning set forth in Section 6.12(a).

1.26 “Company Common Stock” means the common stock, par value \$0.01 per share, of the Company.

1.27 “Company Credit Agreement” means the Credit Agreement, dated as of February 8, 2005, among the Company, Bank of America, N.A., as Syndication Agent, CoBank, ACB and General Electric Capital Corporation as Co-Documentation Agents, Deutsche Bank Trust Company Americas, as Administrative Agent, Deutsche Bank Securities, Inc. and Banc of America Securities LLC, as Joint Lead Arrangers, Deutsche Bank Securities, Inc., Banc of America Securities LLC, Goldman Sachs Credit Partners, L.P. and Morgan Stanley Senior Funding, Inc., as Joint Book Running Managers and the various lenders party thereto from time to time, as amended through the date of this Agreement and as such Company Credit Agreement may be further amended by the proposed fourth amendment thereto, the form of which is attached as Exhibit B to the Backstop Facility Commitment.

1.28 “Company Disclosure Letter” has the meaning set forth in the first paragraph of Article VI.

1.29 “Company Employee” has the meaning set forth in Section 6.12(a).

1.30 “Company Financial Statements” has the meaning set forth in Section 6.4(a)(i).

1.31 “Company’s Knowledge” has the meaning set forth in Section 11.13.

1.32 “Company Licenses” has the meaning set forth in Section 6.15(a).

1.33 “Company Material Contracts” has the meaning set forth in Section 6.16(a).

1.34 “Company Owned Real Property” means all Owned Real Property of the Company or the Company Subsidiaries.

1.35 “Company Registration Statement” means the registration statement on Form S-4, including without limitation the Proxy Statement/Prospectus, forming a part thereof, to be filed by the Company with the SEC to effect the registration under the Securities Act of the issuance of the shares of Company Common Stock into which shares of Spinco Common Stock will be converted pursuant to the Merger (as amended and supplemented from time to time).

1.36 “Company SEC Documents” has the meaning set forth in Section 6.4(a)(v).

1.37 “Company Stock Plans” means the FairPoint 1995 Stock Option Plan and the respective award agreements granted thereunder, the FairPoint Amended and Restated 1998 Stock Incentive Plan and the respective award agreements granted thereunder, the FairPoint Amended and Restated 2000 Employee Stock Incentive Plan and the respective award agreements granted thereunder, and the FairPoint 2005 Stock Incentive Plan and the respective award agreements granted thereunder.

1.38 “Company Stockholders Meeting” has the meaning set forth in Section 7.4(a).

1.39 “Company Subsidiaries” means all direct and indirect Subsidiaries of the Company.

1.40 “Company Superior Proposal” has the meaning set forth in Section 7.11(b).

1.41 “Company Tax Counsel” has the meaning set forth in Section 7.9(c).

1.42 “Company Tax Sharing Agreement” means the Amended and Restated Tax Sharing Agreement, by and among the Company and its Subsidiaries, dated as of November 9, 2000.

1.43 “Company Third Party Intellectual Property” means any and all Intellectual Property Rights owned by any Person other than the Company or any of its Subsidiaries that is used in the conduct of the business of the Company and its Subsidiaries.

1.44 “Company Voting Debt” has the meaning set forth in Section 6.2(b).

1.45 “Confidentiality Agreement” means the December 2005 Confidentiality Agreement between Verizon and the Company.

1.46 “Contributing Companies” has the meaning set forth in the Distribution Agreement.

1.47 “Contract” or “agreement” means any loan or credit agreement, note, bond, indenture, mortgage, deed of trust, lease, sublease, franchise, permit, authorization, license, contract (including collective bargaining agreements, side letters, memoranda of agreement or understanding or any agreement of any kind), instrument, employee benefit plan or other binding commitment, obligation or arrangement, whether written or oral.

1.48 “Contribution” has the meaning set forth in the recitals hereto.

1.49 “Controlling Person” has the meaning set forth in Section 10.2(a).

1.50 “Customer Data” means all customer information obtained in connection with the Spinco Business, in the form and content existing as of the Closing, related to the provisioning of products and services by Spinco or Spinco Subsidiaries in the Territory included in the Spinco Business to current and future customers in the Territory, including name, postal address, email address, telephone number, date of birth, account data, transaction data, demographic data, customer service data, and correspondence, together with any documents and information containing the foregoing; provided, however, the foregoing shall not include (i) any of the foregoing to the extent it is in the possession of Verizon or any U.S. Affiliate and was collected or used other than in connection with the operation of the Spinco Business, (ii) any information included in yellow or white pages listings or directories, in any form, (iii) any information required to be retained by Verizon and/or its Affiliates to comply with applicable law or regulation, (iv) any information publicly available, and (v) any information received by Verizon or its Affiliates from third parties.

1.51 “Debt Exchange” has the meaning set forth in the Distribution Agreement.

1.52 “DGCL” means the General Corporation Law of the State of Delaware.

1.53 “Direct Claim” has the meaning set forth in Section 10.5(b).

1.54 “Disclosure Letters” means, collectively, the Verizon Disclosure Letter, the Spinco Disclosure Letter and the Company Disclosure Letter.

1.55 “Distribution” has the meaning set forth in the recitals hereto.

1.56 “Distribution Agreement” has the meaning set forth in the recitals hereto.

1.57 “Distribution Date” shall mean the date and time that the Distribution shall become effective.

1.58 “Distribution Fund” has the meaning set forth in Section 3.2(a).

1.59 “Distribution Tax Opinion” means a written opinion of Verizon Tax Counsel, addressed to Verizon and Spinco and dated as of the Distribution Date, in form and substance reasonably satisfactory to Verizon and (solely with respect to issues as to whether Spinco recognizes gain or loss) the Company, to the effect that (i) each of the Internal Spinoffs will qualify as a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code, (ii) the Distribution will qualify as a distribution of Spinco stock to the stockholders of Verizon eligible for nonrecognition under Sections 355(a) and 361(c) of the Code, pursuant to which no gain or loss will be recognized for federal income tax purposes by any of Verizon, Spinco or the stockholders of Verizon, except as to cash received in lieu of fractional shares by the stockholders of Verizon, and (iii)



Verizon will not recognize gain or loss for federal income tax purposes in connection with the receipt of the Spinco Securities or the consummation of the Debt Exchange.

1.60 “Distribution Tax Representations” has the meaning set forth in Section 7.9(b).

1.61 “Distribution Transfer Taxes” means any sales, use, transfer, registration, recording, stamp, value added or other similar taxes or fees arising out of or attributable to the Internal Spinoffs, the Contribution, the Distribution, the Debt Exchange or the Internal Restructuring.

1.62 “Effective Time” has the meaning set forth in Section 2.3.

1.63 “Employee Matters Agreement” means the Employee Matters Agreement to be entered into among Verizon, Spinco and the Company, in the form attached to the Distribution Agreement.

1.64 “Environmental Claim” means administrative or judicial actions, suits, orders, liens, notices, violations or proceedings related to any applicable Environmental Law or Environmental Permit brought, issued or asserted by a Governmental Authority or any third party for compliance, damages, penalties, removal, response, remedial or other action pursuant to any applicable Environmental Law or resulting from the release of a Hazardous Material.

1.65 “Environmental Law” means any Law now in effect relating to the environment or Hazardous Materials, including but not limited to the Comprehensive Environmental Response Compensation and Liability Act, 42 USC §6901 et seq.; the Resource Conservation and Recovery Act, 42 USC §6901 et seq.; the Federal Water Pollution Control Act, 33 USC §1251 et seq.; the Toxic Substances Control Act, 15 USC §2601 et seq.; the Clean Air Act, 42 USC §7401 et seq.; the Safe Drinking Water Act, 42 USC §3803 et seq.; the Oil Pollution Act of 1990, 33 USC §2701 et seq.; the Emergency Planning and the Community Right-to-Know Act of 1986, 42 USC §1101 et seq.; the Hazardous Material Transportation Act, 49 USC §1801 et seq.; and any state or local counterparts or equivalents, in each case as amended from time to time.

1.66 “Environmental Permits” means all permits, licenses, approvals, authorizations or consents required by or issued by any Governmental Authority under any applicable Environmental Law and includes any and all orders, consent orders or binding agreements issued or entered into by a Governmental Authority under any applicable Environmental Law.

1.67 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

1.68 “ERISA Affiliate” means, with respect to any Person, any other Person or any trade or business, whether or not incorporated, that, together with such first Person, would be deemed a “single employer” within the meaning of section 4001(b) of ERISA.

1.69 “Excess Shares” has the meaning set forth in Section 3.3(b).

1.70 “Exchange Act” means the Securities Exchange Act of 1934, as amended, together with the rules and regulations of the SEC promulgated thereunder.

1.71 “Excluded Contract” has the meaning set forth in the Distribution Agreement.

1.72 “FCC” means the Federal Communications Commission.

1.73 “FCC Applications” has the meaning set forth in Section 7.6(c).

1.74 “FCC Rules” has the meaning set forth in Section 4.2(c).

1.75 “First Internal Spinoff” has the meaning set forth in the recitals hereto.

1.76 “Fully Diluted Basis” means as of any date, the aggregate number of shares of Company Common Stock outstanding on such date (including any shares of restricted stock) assuming: (i) the prior exercise of all options and similar rights to purchase Company Common Stock; (ii) the prior conversion into, or exchange for, shares of Company Common Stock of all then issued and outstanding securities which are convertible into, or exchangeable for, shares of Company Common Stock; and (iii) the prior exercise of any similar subscription or other rights to acquire, or to cause the Company to issue, shares of Company Common Stock; provided, however, that the term “Fully Diluted Basis” shall not take into account (A) any shares held in the Company’s treasury, (B) those Company Common Stock options, restricted stock units and restricted units issued prior to the date hereof that are identified on Section 1.76 of the Company Disclosure Letter (along with the exercise price and vesting dates applicable thereto) or any shares of Company Common Stock issued or issuable in respect thereof and (C) those restricted shares of Company Common Stock identified on Section 1.76 of the Company Disclosure Letter (along with the vesting dates applicable thereto).

1.77 “GAAP” means United States generally accepted accounting principles.

1.78 “Governmental Authority” means any foreign, federal, state or local court, administrative agency, official board, bureau, governmental or quasi-governmental entities, having competent jurisdiction over Verizon, Spinco or the Company, any of their respective Subsidiaries and any other tribunal or commission or other governmental department, authority or instrumentality or any subdivision, agency, mediator, commission or authority of competent jurisdiction.

1.79 “Governmental Customer Contract” means any Contract to which a federal, state, county or municipal government or any agency of any of the same, is party and pursuant to said Contract the government or agency is recipient of products or services.

1.80 “Group” means the Verizon Group or the Spinco Group, as the case may be.

1.81 “Hazardous Material” means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as “hazardous substances,” “hazardous materials,” “hazardous wastes,” “toxic substances,” “pollutants,” “contaminants,” or any other similar term that defines, lists, or classifies a substance by reason of such substance’s ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, “EP toxicity” or adverse affect on human health or the environment, (b) oil, petroleum, or petroleum-derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any radioactive materials, (d) polychlorinated biphenyls, and (e) infectious waste.

1.82 “HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended and the rules and regulations promulgated thereunder.

1.83 “HSR Agencies” means the Federal Trade Commission and the Antitrust Division of the Department of Justice.

1.84 “Idearc Agreements” has the meaning set forth in the Distribution Agreement.

1.85 “Identified Persons” has the meaning set forth in Section 7.12(a).

1.86 “ILEC” has the meaning set forth in Section 5.22.

1.87 “Intellectual Property Agreement” means the Intellectual Property Agreement to be entered into between Verizon and Spinco, in the form attached to the Distribution Agreement.

1.88 “Intellectual Property Rights” means all United States and foreign issued and pending patents, trademarks, service marks, slogans, logos, trade names, service names, Internet domain names, trade styles, trade dress and other indicia of origin, and all goodwill associated with any of the foregoing, copyrights, copyrightable works, trade secrets, know-how, processes, methods, designs, computer programs, plans, specifications, data, inventions (whether or not patentable or reduced to practice), improvements, confidential, business and other information and all intangible property,

proprietary rights and other intellectual property, and all registrations, applications and renewals (including divisionals, continuations, continuations-in-part, reissues, renewals, registrations, re-examinations and extensions) for, and tangible embodiments of, and all rights with respect to, any of the foregoing.

1.89 “Interim Balance Sheet Date” has the meaning set forth in Section 5.4(d).

1.90 “Interim Financial Statements” has the meaning set forth in Section 5.4(a)(ii).

1.91 “Internal Restructuring” has the meaning set forth in the recitals hereto.

1.92 “Internal Spinoffs” has the meaning set forth in the recitals hereto.

1.93 “IRS” means the United States Internal Revenue Service or any successor thereto, including, but not limited to, its agents, representatives and attorneys.

1.94 “IRS Ruling” means a private letter ruling from the IRS to the effect that (i) the First Internal Spinoff will qualify as a reorganization under Section 368(a)(1)(D) of the Code and a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (ii) the Second Internal Spinoff will qualify as a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (iii) the Contribution, together with the Distribution, will qualify as a tax-free reorganization under Section 368(a)(1)(D) of the Code; (iv) the Distribution will qualify as a distribution of Spinco stock to Verizon stockholders eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (v) Verizon will not recognize gain or loss for federal income tax purposes in connection with the receipt of the Spinco Securities or the consummation of the Debt Exchange; (vi) the Special Dividend will qualify as money transferred to creditors or distributed to shareholders in connection with the reorganization within the meaning of Section 361(b)(1) of the Code, to the extent that Verizon distributes the Special Dividend to its creditors and/or shareholders in connection with the Contribution; and (vii) no gain or loss will be recognized as a result of such transactions for federal income tax purposes by any of Verizon, Spinco, and their respective stockholders and Subsidiaries (except to the extent of cash received in lieu of fractional shares).

1.95 “IRS Submission” has the meaning set forth in Section 7.9(a)(i).

1.96 “Law” means any federal, state, local or foreign law (including common law), statute, code, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Authority.

1.97 [Intentionally omitted.]

1.98 “Leased Real Property” has the meaning set forth in the Distribution Agreement.

1.99 “Leases” means all leases, subleases, licenses, concessions and other agreements (written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which any Person holds any Leased Real Property.

1.100 “Liens” means all mortgages, deeds of trust, liens, security interests, pledges, leases, conditional sale contracts, claims, charges, liabilities, obligations, privileges, easements, rights of way, limitations, reservations, restrictions, options, rights of first refusal and other encumbrances of every kind. For the avoidance of doubt, the license of Intellectual Property Rights shall not itself constitute a Lien.

1.101 “Losses” has the meaning set forth in Section 10.3(d).

1.102 “Material Adverse Effect” means, with respect to any business or Person, any state of facts, change, development, event, effect, condition or occurrence that, individually or in the aggregate, has had or would be reasonably likely to have a materially adverse effect on the business, assets, properties, liabilities or condition (financial or otherwise) of such business or Person and its Subsidiaries, as applicable, taken as a whole, or that, directly or indirectly, prevents or materially impairs or delays the ability of such Person to perform its obligations under this Agreement; but shall not include facts, events, changes, effects or developments (i) (A) generally affecting the rural, regional or nationwide wireline voice and data industry in the United States, including regulatory and political developments and changes in Law or GAAP, or (B) generally affecting the economy or financial markets in the United States, (ii) resulting from the announcement of this Agreement and the transactions contemplated hereby or by the other Transaction Agreements or the taking of any action required by this Agreement or the other Transaction Agreements in connection with the Merger (including any decrease in customer demand, any reduction in revenues, any disruption in supplier, partner or similar relationships, or any loss of employees resulting therefrom) or (iii) resulting from any natural disaster, or any engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any act or acts of terrorism (except to the extent that any such facts, events, changes, effects or developments referenced in clauses (i) and (iii) have a disproportionate effect on such business or Person and its Subsidiaries); provided, that any fluctuation in the market price of such Person’s publicly traded common stock, separately and by itself, shall not be deemed to constitute a Material Adverse Effect hereunder (it being understood that the foregoing shall not prevent a party from asserting that any fact, change, development, event, effect, condition or occurrence that may have contributed to such fluctuation in market price independently constitutes a Material Adverse Effect).

1.103 "ME Lease" has the meaning set forth in Section 7.16(iii).

1.104 "ME Premises" has the meaning set forth in Section 7.16(iii).

1.105 "Merger" has the meaning set forth in Section 2.1.

1.106 "Merger Tax Opinion" has the meaning set forth in Section 7.9(c).

1.107 "Merger Transfer Taxes" means any sales, use, transfer, registration, recording, stamp, value added or other similar taxes or fees arising out of or attributable to the Merger.

1.108 "Network Element" means any port network device, computer, server or other processing device connected to or used in support of the public switched voice, data, DSL and other networks of the Spinco Business, to the extent such element is located in the states of Maine, Vermont or New Hampshire and is used solely in the support of the Spinco Business.

1.109 "Network Element Software" means the Verizon Third Party Intellectual Property consisting of system software and any application software, in each case in the form and content it exists as of the Closing Date, as and to the extent installed on Network Elements owned or leased by Spinco or the Spinco Subsidiaries as of the Closing, certain of which software is listed on Section 1.109 of the Spinco Disclosure Letter along with the Network Elements in which they are installed, but excluding any application software (other than application software that has been specifically designed and dedicated for a Network Element and is required for a Network Element to perform its voice or data function) which is licensed pursuant to an Excluded Contract that (i) is licensed by any Person other than the Network Element supplier, (ii) is not identified on Section 1.109 of the Spinco Disclosure Letter or (iii) is identified on Section 1.109(iii) of the Spinco Disclosure Letter.

1.110 "New Financing" means the financing contemplated by the Commitment Letter.

1.111 "NH Lease" has the meaning set forth in Section 7.16(ii).

1.112 "NH Premises" has the meaning set forth in Section 7.16(ii).

1.113 "Non-ILEC Spinco Subsidiary" has the meaning set forth in the Distribution Agreement.

1.114 "Nominating Agreement" means that certain Nominating Agreement, dated as of February 8, 2005, by and among the Company, Kelso Investment Associates V, L.P., a Delaware limited partnership, Kelso Equity Partners V, L.P., a Delaware

limited partnership, and Thomas H. Lee Equity Fund IV, L.P., a Delaware limited partnership.

1.115 “Non-Statutory Intellectual Property” means (i) all unpatented inventions (whether or not patentable), trade secrets, know-how and proprietary information, including but not limited to (in whatever form or medium), discoveries, ideas, compositions, formulas, computer programs (including source and object codes), computer software documentation, database, drawings, designs, plans, proposals, specifications, photographs, samples, models, processes, procedures, data, information, manuals, reports, financial, marketing and business data, and pricing and cost information, correspondence and notes, (ii) United States works of authorship, mask works, copyrights, and copyright and mask work registrations and applications for registration, and (iii) any rights or licenses in the foregoing which may be granted without the payment of compensation or other consideration to any Person; provided, however, that, notwithstanding anything to the contrary, the definition of “Non-Statutory Intellectual Property” shall not include any Statutory Intellectual Property.

1.116 “NYNEX” has the meaning set forth in the recitals hereto.

1.117 “NYSE” has the meaning set forth in Section 3.3(b).

1.118 “Order” means any decree, judgment, injunction, writ, ruling or other order of any Governmental Authority.

1.119 “Other PUC Applications” has the meaning set forth in Section 7.6(b).

1.120 “Owned Real Property” has the meaning set forth in the Distribution Agreement.

1.121 “PBGC” means the U.S. Pension Benefit Guaranty Corporation.

1.122 “Per Share Merger Consideration” has the meaning set forth in Section 3.1(a).

1.123 “Permitted Encumbrances” means (A) statutory Liens for Taxes that are not due and payable as of the Closing Date, or that are being contested in good faith and for which appropriate reserves have been established in accordance with GAAP; (B) mechanics liens and similar Liens for labor, materials or supplies provided, incurred in the ordinary course of business for amounts which are not due and payable or are subject to dispute and with respect to which reserves have been established in accordance with GAAP; (C) zoning, building codes and other land use Laws regulating the use or occupancy of such Owned Real Property or the activities conducted thereon which are imposed by any governmental authority having jurisdiction over such Owned Real Property which are not violated by the current use or occupancy of such Owned Real

Property or the operation of the business thereon; (D) easements, covenants, conditions, restrictions and other similar matters of record affecting title to any Owned Real Property which do not or would not materially impair the use or occupancy of such Owned Real Property in the operation of the business conducted thereon; and (E) Liens securing indebtedness incurred in connection with the New Financing or disclosed in the Company SEC Documents or the Spinco Financial Statements, as applicable.

1.124 “Person” or “person” means a natural person, corporation, company, joint venture, individual business trust, trust association, partnership, limited partnership, limited liability company or other entity, including a Governmental Authority.

1.125 “Proprietary Business Information” means any and all non-technical, non-public information included in the Non-Statutory Intellectual Property which is owned by Verizon or its U.S. Affiliates as of the Closing, after giving effect to the assignment contemplated by Section 2.1(a) of the Intellectual Property Agreement, and is used in the Spinco Business as of the Closing Date, but excluding Customer Data.

1.126 “Proxy Statement/Prospectus” means the letters to Company stockholders, notices of meeting, proxy statement and forms of proxies to be distributed to Company stockholders in connection with the Merger and the transactions contemplated by this Agreement and any additional soliciting material or schedules required to be filed with the SEC in connection therewith, it being understood that if the Company Registration Statement is not declared effective and mailed to the Verizon stockholders substantially contemporaneously with the mailing of the Proxy Statement/Prospectus to the Company stockholders, then the prospectus included in the Company Registration Statement at the time of its mailing to the Verizon stockholders may be different than the Proxy Statement/Prospectus mailed to the Company stockholders.

1.127 “Purchase Letter of Credit” has the meaning set forth in Section 7.26(b).

1.128 “Qualified Transition Expenses” means any and all fees, costs, expenses and other amounts incurred or paid by the Company or any of the Company Subsidiaries from and after the date hereof and prior to the Effective Time in connection with the Company’s planning and efforts to integrate and operate the Spinco Business from and after the Closing, including, without limitation, fees, costs and expenses relating to the acquisition of equipment and systems which are primarily dedicated to such purposes, and those in respect of consultants, third party providers, and newly hired employees of the Company or any of its Subsidiaries who are solely dedicated to such purposes other than any employee earning more than \$200,000 per year.

1.129 “Quarterly Financial Statements” has the meaning set forth in Section 7.18(b).



1.130 “Real Property Interests” means all easements, rights of way, and licenses in the real property of Spinco that are used primarily in the operation of the Spinco Business, and excluding all Spinco Owned Real Property and property and interests subject to Spinco Leases and Spinco Subleases.

1.131 “Record Date” has the meaning set forth in the Distribution Agreement.

1.132 “Redactable Information” has the meaning set forth in Section 7.9(a)(i).

1.133 “Registration Statements” means the Company Registration Statement and the Spinco Registration Statement, if any.

1.134 “ILEC Spinco Subsidiary” has the meaning set forth in the recitals hereto.

1.135 “Regulation S-K” means Regulation S-K promulgated under the Exchange Act.

1.136 “Regulatory Law” has the meaning set forth in Section 7.6(e).

1.137 “Requisite Approval” has the meaning set forth in Section 6.22.

1.138 “Restraint” has the meaning set forth in Section 8.1(h).

1.139 “Rule 145 Affiliate” has the meaning set forth in Section 7.13.

1.140 “Rule 145 Affiliate Agreement” has the meaning set forth in Section 7.13.

1.141 “Ruling Request” has the meaning set forth in Section 7.9(a)(i).

1.142 “Sarbanes-Oxley Act” has the meaning set forth in Section 6.4(c).

1.143 “SEC” means the U.S. Securities and Exchange Commission.

1.144 “Second Internal Spinoff” has the meaning set forth in the recitals hereto.

1.145 “Securities Act” means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

1.146 “Settlement Requirements” has the meaning set forth in Section 10.5(a).

1.147 “Significant Subsidiary” has the meaning set forth in Rule 1-02 of Regulation S-X promulgated under the Exchange Act.

1.148 “Solvency Opinion” has the meaning set forth in Section 8.1(l).

1.149 “Special Dividend” has the meaning set forth in the Distribution Agreement.

1.150 “Specified Contract” has the meaning set forth in Section 7.6(g).

1.151 “Spinco” has the meaning set forth in the Preamble hereto.

1.152 “Spinco Adjusted EBITDA” means, for the applicable twelve month period ending with any specified fiscal quarter, the operating income during such period of the local exchange carrier portion of the Spinco Business (calculated in a manner consistent with the applicable Interim Financial Statements (without any material changes or modifications to the methods of revenue recognition or allocation of inter-company charges or expenses contained therein)) before interest, taxes, depreciation and amortization, plus (i) the amount of all applicable costs and charges relating to pension and benefit obligations relating to the Spinco Business, determined in a manner consistent with the methodology used for the third quarter of 2006 as illustrated on Section 1.152 of the Spinco Disclosure Letter, and (ii) any special items that are allocated to the Spinco Business in a manner consistent with past practice and reflected in the financial statements of the Spinco Business but are not included by Verizon in its quarterly releases of financial results announcing statements of income before special and non-recurring items (by way of illustration only, Section 1.152 of the Spinco Disclosure Letter describes the special items that applied to the third quarter of 2006).

1.153 “Spinco Assets” has the meaning set forth in the Distribution Agreement.

1.154 “Spinco Benefit Plans” has the meaning set forth in Section 5.12(a).

1.155 “Spinco Business” has the meaning set forth in the Distribution Agreement.

1.156 “Spinco Common Stock” means the common stock, par value \$0.01 per share, of Spinco.

1.157 “Spinco Disclosure Letter” has the meaning set forth in the first paragraph of Article V.

1.158 “Spinco Employee” has the meaning set forth in Section 5.12(a).

1.159 “Spinco Financial Statements” has the meaning set forth in Section 5.4(a)(ii).

1.160 “Spinco Group” means Spinco and the Spinco Subsidiaries.

1.161 “Spinco’s Knowledge” has the meaning set forth in Section 11.13.

- 1.162 “Spinco Leases” has the meaning set forth in Section 5.18(b).
- 1.163 “Spinco Liabilities” has the meaning set forth in the Distribution Agreement.
- 1.164 “Spinco Licenses” has the meaning set forth in Section 5.19(a).
- 1.165 “Spinco Material Contracts” has the meaning set forth in Section 5.15(a).
- 1.166 “Spinco Owned Real Property” means all Owned Real Property of Spinco or Spinco Subsidiaries after giving effect to the Contribution.
- 1.167 “Spinco Registration Statement” means the registration statement on Form S-1, if any, or such other form, if any, as may be required by the Securities Act and/or the SEC to be filed by Spinco with the SEC to effect the registration under the Securities Act of the issuance of the shares of Spinco Common Stock to be issued in the Distribution (as amended and supplemented from time to time).
- 1.168 “Spinco Securities” has the meaning set forth in the Distribution Agreement.
- 1.169 “Spinco Stockholder Approval” has the meaning set forth in Section 5.16.
- 1.170 “Spinco Subleases” has the meaning set forth in Section 5.18(b).
- 1.171 “Spinco Subsidiaries” means all direct and indirect Subsidiaries of Spinco immediately following the Contribution.
- 1.172 “Spinco Voting Debt” has the meaning set forth in Section 5.2(c).
- 1.173 “State Regulators” has the meaning set forth in Section 5.19(a).
- 1.174 “Statutory Intellectual Property” means all (i) United States patents and patent applications of any kind, (ii) United States works of authorship, mask-works, copyrights, and copyright and mask work registrations and applications for registration, and (iii) trademarks, trade names, trade styles, trade dress, other indicia of origin, service marks, domain names, and any and all applications and registrations for the foregoing.
- 1.175 “Subsidiary” means, with respect to any Person (but subject to the proviso in the definition of Affiliate), a corporation, partnership, association, limited liability company, trust or other form of legal entity in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, has either (i) a majority ownership in the equity thereof, (ii) the power, under ordinary circumstances, to elect, or to direct the election of, a majority of the board of directors or

other analogous governing body of such entity, or (iii) the title or function of general partner or manager, or the right to designate the Person having such title or function.

1.176 “Supplies” has the meaning set forth in Section 7.26(a).

1.177 “Surviving Corporation” has the meaning set forth in Section 2.1.

1.178 “Surviving Corporation Indemnitees” means the Surviving Corporation, each Affiliate of the Surviving Corporation (including all Subsidiaries of the Surviving Corporation) and their respective directors, officers, agents and employees.

1.179 “Surviving Corporation Releasers” has the meaning set forth in Section 7.12(b).

1.180 “Tariffs” has the meaning set forth in Section 7.6(g).

1.181 “Tax” or “Taxes” means (i) all taxes, charges, fees, duties, levies, imposts, required deposits, rates or other assessments or governmental charges of any kind imposed by any federal, state, local or foreign Taxing Authority, including income, gross receipts, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including Taxes under Section 59A of the Code), custom duties, property (including real, personal or intangible), sales, use, license, capital stock, transfer, franchise, registration, payroll, withholding, social security (or similar), unemployment, disability, value added, alternative or add-on minimum or other taxes, whether disputed or not, and including any interest, penalties or additions attributable thereto; (ii) liability for the payment of any amount of the type described in clause (i) above arising as a result of being (or having been) a member of any consolidated, combined, unitary or similar group or being (or having been) included or required to be included in any Tax Return related thereto (including pursuant to U.S. Treasury Regulation § 1.1502-6); and (iii) liability for the payment of any amount of the type described in clauses (i) or (ii) above as a result of any express or implied obligation to indemnify or otherwise assume or succeed to the liability of any other Person.

1.182 “Tax-Free Status of the Transactions” means each of the intended tax consequences specified in the twelfth recital hereto.

1.183 “Tax Return” means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) required to be supplied to, or filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

1.184 “Tax Sharing Agreement” means the Tax Sharing Agreement to be entered into on the date hereof between Verizon, Spinco and the Company, as such agreement may be amended from time to time.

1.185 “Taxing Authority” means any Governmental Authority or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including the IRS).

1.186 “Telecommunications Regulatory Consents” has the meaning set forth in Section 7.6(c).

1.187 “Termination Agreement” has the meaning set forth in the recitals hereto.

1.188 “Termination Date” means the date, if any, on which this Agreement is terminated pursuant to Section 9.1(b).

1.189 “Territory” has the meaning set forth in the Distribution Agreement.

1.190 “Territory PUC Applications” has the meaning set forth in Section 7.6(c).

1.191 “Third-Party Claim” has the meaning set forth in Section 10.5(a).

1.192 “Transaction Agreements” means this Agreement, the Distribution Agreement, the Employee Matters Agreement, the Intellectual Property Agreement, the Transition Services Agreement, the Idearc Agreements and the Tax Sharing Agreement.

1.193 “Transferred Affiliate Arrangement” has the meaning set forth in the Distribution Agreement.

1.194 “Transition Services Agreement” has the meaning set forth in the Distribution Agreement.

1.195 “U.S. Affiliate” means any Affiliate of Verizon that is incorporated in and operates solely in the United States, but specifically excluding Verizon Wireless, Telecomunicaciones de Puerto Rico, Inc., Verizon Airfone Inc. and any subsidiaries of the foregoing.

1.196 “Verizon” has the meaning set forth in the Preamble hereto.

1.197 “Verizon Approvals” has the meaning set forth in Section 4.2(c).

1.198 “Verizon Common Stock” means the common stock, par value \$0.10 per share, of Verizon.

1.199 “Verizon Disclosure Letter” has the meaning set forth in the first paragraph of Article IV.

1.200 “Verizon Group” means Verizon and the Verizon Subsidiaries.

1.201 “Verizon Indemnitees” means Verizon, each Affiliate of Verizon (including all Subsidiaries of Verizon) and their respective directors, officers, agents and employees.

1.202 “Verizon IP Consent” means any authorizations, approvals, consents or waivers required by any Person, other than Verizon or any of its Subsidiaries, pursuant to their Contract rights (including any right to receive upgrades or maintenance, support or similar services, if any) in respect of any Network Element Software in connection with the consummation by Verizon and its Subsidiaries of the transactions contemplated by the Distribution Agreement or this Agreement.

1.203 “Verizon IP Consent Costs” has the meaning set forth in Section 7.8(b).

1.204 “Verizon New England” has the meaning set forth in the recitals hereto.

1.205 “Verizon Subsidiaries” means all direct and indirect Subsidiaries of Verizon immediately after the Distribution Date, assuming that the Distribution has occurred in accordance with the Distribution Agreement.

1.206 “Verizon Tax Counsel” means Debevoise & Plimpton LLP.

1.207 “Verizon Third Party Consents” means the authorizations, approvals, consents or waivers required by Law, by Governmental Authorities, or other Person, other than Verizon or any of its Subsidiaries, pursuant to their Contract rights (other than authorizations, approvals, consents or waivers related to Verizon Third Party Intellectual Property or constituting Telecommunications Regulatory Consents or other consents in respect of telecommunications regulatory matters) in connection with the consummation by Verizon and its Subsidiaries of the transactions contemplated by the Distribution Agreement or this Agreement.

1.208 “Verizon Third Party Intellectual Property” means any and all Intellectual Property Rights owned by any Person other than Verizon or any of its Subsidiaries, that is used in the conduct of the Spinco Business, without regard as to whether Verizon or any of its Subsidiaries has any rights therein or the right to assign such rights to Spinco or the Spinco Subsidiaries.

1.209 “Verizon Wireless” means Cellco Partnership d/b/a Verizon Wireless, a Delaware general partnership.

1.210 “Volume Commitments” has the meaning set forth in Section 7.6(g).

1.211 “WARN Act” means the Worker Adjustment and Retraining Notification Act of 1988, as amended and any similar state or local law, regulation or ordinance.

## ARTICLE II

### THE MERGER

2.1 The Merger. At the Effective Time and upon the terms and subject to the conditions of this Agreement, Spinco shall be merged with and into the Company (the “Merger”) in accordance with the applicable provisions of the DGCL, the separate existence of Spinco shall cease and the Company shall continue as the surviving corporation of the Merger (sometimes referred to herein as the “Surviving Corporation”) and shall succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Spinco in accordance with the DGCL and upon the terms set forth in this Agreement.

2.2 Closing. Unless the transactions herein contemplated shall have been abandoned and this Agreement terminated pursuant to Section 9.1, the closing of the Merger and the other transactions contemplated hereby (the “Closing”) shall take place no later than 2:00 p.m., prevailing Eastern time, on the last Friday of the month in which the conditions set forth in Article VIII (other than those that are to be satisfied by action at the Closing) are satisfied or, to the extent permitted by applicable Law, waived unless otherwise agreed upon in writing by the parties (but in any event not earlier than the last Friday of December 2007) (the “Closing Date”) at the offices of counsel to Verizon or such other location as may be reasonably specified in writing by Verizon.

2.3 Effective Time. Upon the terms and subject to the conditions of this Agreement, on the Closing Date, a certificate of merger shall be filed with the Secretary of State of the State of Delaware with respect to the Merger (the “Certificate of Merger”), in such form as is required by, and executed in accordance with, the applicable provisions of the DGCL. The Merger shall become effective at the time of filing of the Certificate of Merger or at such later time as the parties hereto may agree and as is provided in the Certificate of Merger. The date and time at which the Merger shall become so effective is herein referred to as the “Effective Time.”

2.4 Effects of the Merger. At the Effective Time, the effects of the Merger shall be as provided in this Agreement, the Certificate of Merger and the applicable provisions of the DGCL. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, powers and franchises of the Company and Spinco shall vest in the Surviving Corporation, and all debts, liabilities, duties and obligations of the Company and Spinco shall become the debts, liabilities, duties and obligations of the Surviving Corporation.

2.5 Certificate of Incorporation and Bylaws of the Surviving Corporation.

(a) At the Effective Time, the certificate of incorporation of the Company as in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation until thereafter duly amended in accordance with such certificate of incorporation and applicable Law.

(b) At the Effective Time, the bylaws of the Company as in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation until thereafter duly amended in accordance with the certificate of incorporation of the Surviving Corporation, such bylaws and applicable Law.

2.6 Directors and Officers of the Surviving Corporation. Subject to Section 7.19, the directors of the Company at the Effective Time shall, from and after the Effective Time, be the initial directors of the Surviving Corporation. The officers of the Company at the Effective Time shall, from and after the Effective Time, be the initial officers of the Surviving Corporation. Such directors and officers shall serve until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's certificate of incorporation and bylaws.

2.7 Potential Restructuring of Transactions. If, prior to the date on which the Company intends to commence solicitation of proxies for use at the Company Stockholders Meeting, the IRS notifies Verizon that the IRS will not issue the IRS Ruling in whole or in part, then, during the ensuing 30 day period, the parties will collaborate reasonably and in good faith in order to determine a possible alternative structure for the transactions contemplated hereby that the parties determine, with the assistance of their respective tax advisors, will either make likely the receipt from the IRS of the IRS Ruling or eliminate the necessity for an IRS Ruling, in either case, without (a) substantially increasing the costs to any party associated with the transactions contemplated hereby, (b) causing the performance of the covenants and agreements of any party hereunder to become substantially more burdensome, (c) substantially increasing the regulatory or other consents or approvals required to consummate the transactions contemplated hereby, or (d) otherwise resulting in any substantial impediment to the consummation of the transactions contemplated hereby. In the event the parties reasonably, and in good faith, agree upon such an alternative structure, they shall be obligated, as soon as practicable thereafter, to modify the covenants and agreements set forth in this Agreement and the other Transaction Agreements accordingly to reflect the change in transaction structure referenced in the immediately preceding sentence. In furtherance of the foregoing, each of the parties shall take all action reasonably necessary to modify the Ruling Request to reflect the transactions as so modified and effectuate the change in transaction structure contemplated by this Section 2.7, and each such party shall use its reasonable best efforts to cause the transactions contemplated hereby, as so modified, to be consummated as soon as practicable thereafter. To the extent that the filing or



effectiveness of the materials necessary for the solicitation of proxies for use at the Company Stockholders Meeting is delayed in order to afford the parties the time necessary to obtain a response with respect to the IRS Ruling such delay will be deemed to not constitute, nor constitute any basis for a claim of, a breach of the Company's covenants under Article VII hereof or otherwise. The parties acknowledge that Verizon may elect pursuant to Section 2.4(e) of the Distribution Agreement to change the structure of certain transactions contemplated in the recitals hereto and to make amendments to this Agreement in order to reflect such changes.

### ARTICLE III

#### CONVERSION OF SHARES; EXCHANGE OF CERTIFICATES

3.1 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of Spinco, the Company or any holder of any Spinco Common Stock or Company Common Stock:

(a) All of the shares of Spinco Common Stock issued and outstanding immediately prior to the Effective Time (other than shares canceled in accordance with Section 3.1(b)) shall be automatically converted into an aggregate number of duly authorized, validly issued, fully paid and nonassessable shares of Company Common Stock equal to the product of (x) 1.5266 multiplied by (y) the aggregate number of shares of Company Common Stock issued and outstanding, on a Fully Diluted Basis, immediately prior to the Effective Time (the "Aggregate Merger Consideration"), with each such share of Spinco Common Stock issued and outstanding as of the Effective Time to be converted into a number of shares of Company Common Stock equal to (i) the Aggregate Merger Consideration divided by (ii) the aggregate number of shares of Spinco Common Stock issued and outstanding as of immediately prior to the Effective Time (the "Per Share Merger Consideration").

(b) Each share of Spinco Common Stock held by Spinco as treasury stock immediately prior to the Effective Time shall be canceled and shall cease to exist and no stock or other consideration shall be issued or delivered in exchange therefor.

(c) Each share of Spinco Common Stock issued and outstanding immediately prior to the Effective Time, when converted in accordance with this Section 3.1, shall no longer be outstanding and shall automatically be canceled and shall cease to exist.

(d) Each share of Company Common Stock that is issued and outstanding immediately prior to and at the Effective Time shall remain outstanding following the Effective Time.

3.2 Distribution of Per Share Merger Consideration.

(a) Agent. Prior to or at the Effective Time, the Company shall deposit with the Agent (as defined in the Distribution Agreement), for the benefit of persons entitled to receive shares of Spinco Common Stock in the Distribution and for distribution in accordance with this Article III, through the Agent, certificates or book-entry authorizations representing the shares of Company Common Stock (such shares of Company Common Stock being hereinafter referred to as the “Distribution Fund”) issuable pursuant to Section 3.1 upon conversion of outstanding shares of Spinco Common Stock. The Agent shall, pursuant to irrevocable instructions, deliver the Company Common Stock contemplated to be issued pursuant to Section 3.1 from the shares of Company Common Stock held in the Distribution Fund. If the Company deposits such shares into the Distribution Fund prior to the Effective Time and the Merger is not consummated, the Agent shall promptly return such shares to the Company. The Distribution Fund shall not be used for any other purpose.

(b) Distribution Procedures. At the Effective Time, all shares of Spinco Common Stock shall be converted into shares of Company Common Stock pursuant to, and in accordance with the terms of this Agreement, immediately following which the Agent shall distribute on the same basis as the shares of Spinco Common Stock would have been distributed in the Distribution and to the persons entitled to receive such Distribution, in respect of the outstanding shares of Verizon Common Stock held by holders of record of Verizon Common Stock on the Record Date, all of the shares of Company Common Stock into which the shares of Spinco Common Stock that otherwise would have been distributed in the Distribution have been converted pursuant to the Merger. Each person entitled to receive Spinco Common Stock in the Distribution shall be entitled to receive in respect of the shares of Spinco Common Stock otherwise distributable to such person a certificate or book-entry authorization representing the number of whole shares of Company Common Stock that such holder has the right to receive pursuant to this Article III (and cash in lieu of fractional shares of Company Common Stock, as contemplated by Section 3.3) (and any dividends or distributions pursuant to Section 3.2(c)). The Agent shall not be entitled to vote or exercise any rights of ownership with respect to the Company Common Stock held by it from time to time hereunder. The Company agrees that, from and after the Effective Time, those holders of record of Verizon Common Stock who have become holders of record of Company Common Stock by virtue of the Distribution and the Merger shall be holders of record of Company Common Stock for all purposes for so long as they hold such Company Common Stock.

(c) Distributions with Respect to Undistributed Shares. No dividends or other distributions declared or made after the Effective Time with respect to Company Common Stock with a record date after the Effective Time shall be paid with respect to any shares of Company Common Stock that have not been distributed by the Agent

promptly after the Effective Time, whether due to a legal impediment to such distribution or otherwise. Subject to the effect of applicable Laws, following the distribution of any such previously undistributed shares of Company Common Stock, there shall be paid to the record holder of such shares of Company Common Stock, without interest (i) at the time of the distribution, the amount of cash payable in lieu of fractional shares of Company Common Stock to which such holder is entitled pursuant to Section 3.3 and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Company Common Stock and (ii) at the appropriate payment date therefor, the amount of dividends or other distributions with a record date after the Effective Time but prior to the distribution of such shares and a payment date subsequent to the distribution of such shares payable with respect to such whole shares of Company Common Stock.

(d) No Further Ownership Rights in Spinco Common Stock. All shares of Company Common Stock issued in respect of shares of Spinco Common Stock (including any cash paid pursuant to Section 3.2(c)) shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Spinco Common Stock.

(e) Termination of Distribution Fund. Any portion of the Distribution Fund made available to the Agent that remains undistributed to the former stockholders of Spinco on the one-year anniversary of the Effective Time shall be delivered to the Company, upon demand, and any former stockholders of Spinco who have not received shares of Company Common Stock in accordance with this Article III shall thereafter look only to the Company for payment of their claim for shares of Company Common Stock and any dividends, distributions or cash in lieu of fractional shares with respect to such Company Common Stock (subject to any applicable abandoned property, escheat or similar Law).

(f) No Liability. Neither Spinco, the Surviving Corporation nor the Agent shall be liable to any holder of any shares of Spinco Common Stock or any holder of shares of Verizon Common Stock for any shares of Company Common Stock (or dividends or distributions with respect thereto or with respect to shares of Spinco Common Stock) or cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(g) Closing of Transfer Books. From and after the Effective Time, the stock transfer books of Spinco shall be closed and no transfer shall be made of any shares of capital stock of Spinco that were outstanding immediately prior to the Effective Time.

(h) Withholding Rights. Spinco, the Company and the Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of any Spinco Common Stock such amounts as they determine in good faith are required to be deducted and withheld with respect to the making of such payment under the Code, or under any provision of state, local or foreign

Tax Law. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the recipient.

### 3.3 Fractional Shares.

(a) No fractional shares of Company Common Stock shall be issued in the Merger and no dividend or distribution with respect to Company Common Stock shall be payable on or with respect to any fractional share and such fractional share interests will not entitle the owner thereof to any rights of a stockholder of the Company.

(b) As promptly as practicable following the Effective Time, the Agent shall determine the excess of (x) the number of shares of Company Common Stock delivered to the Agent by the Company pursuant to Section 3.2(a) over (y) the aggregate number of whole shares of Company Common Stock to be distributed in respect of shares of Spinco Common Stock pursuant to Section 3.2(b) (such excess, the “Excess Shares”). As soon after the Effective Time as practicable, the Agent, as agent for the applicable holders, shall sell the Excess Shares at the then prevailing prices on the New York Stock Exchange (the “NYSE”), in the manner provided in paragraph (c) of this Section 3.3.

(c) The sale of the Excess Shares by the Agent shall be executed on the NYSE through one or more member firms of the NYSE and shall be executed in round lots to the extent practicable. The Agent shall use all reasonable efforts to complete the sale of the Excess Shares as promptly following the Effective Time as is practicable consistent with obtaining the best execution of such sales in light of prevailing market conditions. Until the net proceeds of any such sale or sales have been distributed in respect of such shares of Spinco Common Stock, the Agent will hold such proceeds in trust for the applicable holders. The Surviving Corporation shall pay all commissions, transfer taxes and other out-of-pocket transaction costs of the Agent incurred in connection with such sale or sales of Excess Shares. In addition, the Surviving Corporation shall pay the Agent’s compensation and expenses in connection with such sale or sales. The Agent shall determine the portion of such net proceeds to which each applicable holder shall be entitled, if any, by multiplying the amount of the aggregate net proceeds by a fraction the numerator of which is the amount of the fractional share interest to which such holder of Spinco Common Stock is entitled (after taking into account all shares of Spinco Common Stock then held by such holder) and the denominator of which is the aggregate amount of fractional share interests to which all holders of Spinco Common Stock are entitled.

(d) As soon as practicable after the determination of the amount of cash, if any, to be paid in respect of Spinco Common Stock with respect to any fractional share interests, the Agent shall pay such amounts to the applicable holders.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF VERIZON

Except as disclosed in the corresponding section of the Disclosure Letter delivered by Verizon to the Company immediately prior to the execution of this Agreement (the “Verizon Disclosure Letter”), Verizon hereby represents and warrants to the Company as follows:

4.1 Organization; Qualification. Verizon is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Verizon and its Subsidiaries has all requisite corporate power and authority to own, lease and operate the Spinco Assets. Each of the Contributing Companies is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the Spinco Assets or the nature of the Spinco Business operated by it makes such qualification necessary, except in such jurisdictions where the failure to be so qualified or licensed or in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

4.2 Corporate Authority; No Violation.

(a) Verizon has the corporate power and authority to enter into this Agreement and each other Transaction Agreement to which it is or as of the Effective Time will be a party and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by Verizon of this Agreement and each other Transaction Agreement to which it is or as of the Effective Time will be a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Verizon, except for such further action of the Board of Directors of Verizon required to establish the Record Date and the Distribution Date, and the effectiveness of the declaration of the Distribution by the Board of Directors of Verizon (which is subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the conditions set forth in the Distribution Agreement). This Agreement has been duly executed and delivered by Verizon and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding agreement of Verizon, enforceable against Verizon in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights generally, or by principles governing the availability of equitable remedies). As of the Distribution Date, each other Transaction Agreement to which Verizon or one of its Subsidiaries is a party will have been duly executed and delivered by Verizon and/or one of its Subsidiaries and, assuming the due authorization, execution and delivery by the other parties thereto, will constitute a legal, valid and binding agreement of Verizon and/or such Subsidiary, as applicable, enforceable against Verizon and/or such Subsidiary, as applicable in accordance with its terms (except insofar as such

enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(b) Neither the execution and delivery by Verizon of this Agreement and other Transaction Agreements to which it is a party nor the consummation by Verizon of the transactions contemplated hereby or thereby, or performance by Verizon of any of the provisions hereof or thereof will (i) violate or conflict with any provisions of Verizon's certificate of incorporation or bylaws; (ii) assuming the consents and approvals contemplated by Section 4.2(c) are obtained, result in a default (or an event that, with notice or lapse of time or both, would become a default) or give rise to any right of termination by any third party, cancellation, amendment or acceleration of any obligation or the loss of any benefit under, any Contract to which Verizon or any of its Subsidiaries is a party or by which Verizon or any of its Subsidiaries is bound or affected; (iii) other than in connection with the New Financing (or other action taken by the Company) result in the creation of a Lien on any of the issued and outstanding shares of Spinco Common Stock, capital stock of any Spinco Subsidiary or on any of the Spinco Assets pursuant to any Contract to which Verizon or any of its Subsidiaries (including Spinco and its Subsidiaries) is a party or by which Verizon or its Subsidiaries is bound or affected; or (iv) assuming the consents and approvals contemplated by Section 4.2(c) below are obtained, violate or conflict with any Order or Law applicable to Verizon or any of its Subsidiaries (including Spinco and its Subsidiaries), or any of the properties, business or assets of any of the foregoing, other than, in the case of each of clauses (ii) through (iv), any such violation, conflict, default, right, loss or Lien which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

(c) Other than in connection with or in compliance with (i) the provisions of the DGCL, (ii) the Securities Act, (iii) the Exchange Act, (iv) the HSR Act, (v) the Communications Act and applicable rules and regulations thereunder and the rules, regulations, policies, instructions and orders of the FCC (the "FCC Rules"), (vi) approvals required in connection with the transfer of Real Property Interests and the assignment or novation of Governmental Customer Contracts and (vii) the approvals set forth on Section 4.2(c) of the Verizon Disclosure Letter (the approvals contemplated by clauses (i) through (vii), collectively, the "Verizon Approvals"), no authorization, consent or approval of, or filing with, any Governmental Authority is necessary for the consummation by Verizon or Spinco or any of the Contributing Companies of the transactions contemplated by this Agreement and the other Transaction Agreements, except for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

4.3 Information Supplied. All documents that Verizon or any Verizon Subsidiary is responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby and by each other Transaction Agreement will comply in all material respects with the provisions of applicable Law. All information supplied or to be supplied by Verizon or any Verizon Subsidiary in any document, other than the Proxy Statement/Prospectus or the Registration Statements which are addressed in Section 5.8 hereof, filed with any Governmental Authority in connection with the transactions contemplated hereby and by the other Transaction Agreements will be, at the time of filing, at the Distribution Date and at the Effective Time, true and correct in all material respects.

4.4 Brokers or Finders. Other than as set forth in Section 4.4 of the Verizon Disclosure Letter, and other than any arrangement that may be entered into after the date hereof (which shall be the exclusive liability and obligation of Verizon and not any other party hereto), the material terms of which are disclosed to the Company, no agent, broker, investment banker, financial advisor or other similar Person is or will be entitled, by reason of any agreement, act or statement by Verizon or any of its Subsidiaries, directors, officers or employees, to any financial advisory, broker's, finder's or similar fee or commission, to reimbursement of expenses or to indemnification or contribution in connection with any of the transactions contemplated by this Agreement or other Transaction Agreement.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF VERIZON AND SPINCO

Except as disclosed in the corresponding section of the Disclosure Letter delivered by Spinco to the Company immediately prior to the execution of this Agreement (the "Spinco Disclosure Letter"), Verizon and Spinco, jointly and severally, represent and warrant to the Company as follows:

#### 5.1 Organization, Qualification.

(a) Spinco and each of the Spinco Subsidiaries is, or on the date of its incorporation will be a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation, has, or will have, all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted or as proposed to be conducted, and is, or will be, duly qualified and licensed to do business and is, or will be, in good standing in each jurisdiction in which the ownership or leasing of its property or the conduct of its business requires such qualification, except for jurisdictions in which the failure to be so qualified or to be in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business. The copies of the Spinco certificate of incorporation and bylaws and the

certificate of incorporation and bylaws (or analogous governing documents) of each Spinco Subsidiary previously made available to the Company are complete and correct copies of such documents as in full force and effect on the date hereof.

(b) Section 5.1(b) of the Spinco Disclosure Letter sets forth a list of the Spinco Subsidiaries and their respective jurisdictions of incorporation.

## 5.2 Capital Stock and Other Matters.

(a) Spinco is a direct, wholly owned Subsidiary of Verizon, and, as of the Effective Time, shall own or hold no assets (other than the capital stock of the Spinco Subsidiaries and any rights held in connection with the New Financing, the Spinco Securities, this Agreement or any other Transaction Agreement).

(b) As of the date hereof, the authorized capital stock of Spinco consists of 1,000 shares of Spinco Common Stock and 1,000 shares of Spinco Common Stock are issued and outstanding. No shares of Spinco Common Stock are held by Spinco in its treasury. All of the issued and outstanding shares of Spinco Common Stock immediately prior to the Effective Time will be validly issued, fully paid and nonassessable and free of pre-emptive rights.

(c) No bonds, debentures, notes or other indebtedness of Spinco or any of the Spinco Subsidiaries having the right to vote (or convertible into or exercisable for securities having the right to vote) on any matters on which holders of shares of capital stock of Spinco (including Spinco Common Stock) may vote ("Spinco Voting Debt") are, or immediately prior to the Effective Time will be, issued or outstanding.

(d) Except in connection with the Merger or as otherwise provided for in the Transaction Agreements, there are not, and immediately prior to the Effective Time there will not be, any outstanding, securities, options, warrants, convertible securities, calls, rights, commitments or Contracts of any kind to which Spinco or any Spinco Subsidiary is a party or by which any of them is bound obligating Spinco or any Spinco Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock, Spinco Voting Debt or other voting securities of Spinco or any Spinco Subsidiary or obligating Spinco or any Spinco Subsidiary to issue, grant, extend, redeem, acquire or enter into any such security, option, warrant, convertible security, call, right, commitment or Contract.

(e) There are not, and immediately prior to the Effective Time there will not be, any stockholder agreements, voting trusts or other Contracts (other than the Distribution Agreement) to which Spinco is a party or by which it is bound relating to voting or transfer of any shares of capital stock of Spinco or the Spinco Subsidiaries.

## 5.3 Corporate Authority; No Violation.



(a) Spinco has the corporate power and authority to enter into this Agreement and each of Spinco and the Spinco Subsidiaries has the corporate power and authority to enter into each other Transaction Agreement to which it is, or as of the Effective Time will be, a party and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by Spinco of this Agreement by Spinco and each applicable Spinco Subsidiary of each other Transaction Agreement to which it is or as of the Effective Time will be a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Spinco and the Spinco Subsidiaries, except for such further action by the Board of Directors of Spinco required to effect the reclassification of the Spinco Common Stock, the distribution of the Spinco Securities to Verizon and the payment of the Special Dividend, each as contemplated by the Distribution Agreement.

(b) This Agreement has been duly executed and delivered by Spinco and, assuming the due authorization, execution and delivery by the Company and Verizon, constitutes a legal, valid and binding agreement of Spinco, enforceable against Spinco in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies). As of immediately prior to the Effective Time, each other Transaction Agreement to which Spinco or any other Spinco Subsidiary is a party will have been duly executed and delivered by Spinco or the applicable Spinco Subsidiary and will, assuming the due authorization, execution and delivery by the other parties thereto, constitute a legal, valid and binding agreement of Spinco or the applicable Spinco Subsidiary, enforceable against Spinco or the applicable Spinco Subsidiary in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(c) Neither the execution and delivery by Spinco of this Agreement and by Spinco and each applicable Spinco Subsidiary of each other Transaction Agreement to which Spinco or the applicable Spinco Subsidiary is, or as of the Effective Time will be, a party, nor the consummation by Spinco or the applicable Spinco Subsidiary of the transactions contemplated hereby or thereby, or performance by Spinco or the applicable Spinco Subsidiary of the provisions hereof or thereof will (i) violate or conflict with any provision of Spinco or the applicable Spinco Subsidiary's certificate of incorporation or bylaws; (ii) assuming the consents and approvals referred to in Section 5.3(d) are obtained and subject to Section 5.3(c) of the Spinco Disclosure Letter, result in a default (or an event that, with notice or lapse of time or both, would become a default) or give rise to any right of termination or buy-out by any third party, cancellation, amendment or acceleration of any obligation or the loss of any benefit under any Contract which, if it existed on the Distribution Date, would constitute a Spinco Asset; (iii) result in the creation of a Lien, pledge, security interest, claim or other encumbrance on any of the

issued and outstanding shares of Spinco Common Stock or capital stock of any Spinco Subsidiary or on any of the Spinco Assets pursuant to any Contract to which Spinco or any Spinco Subsidiary is a party or by which Spinco or any Spinco Subsidiary or any of the Spinco Assets is bound or affected; or (iv) assuming the consents and approvals contemplated by Section 5.3(d) are obtained, violate or conflict with any Order or Law applicable to Spinco or any Spinco Subsidiary, or any of the properties, businesses or assets of any of the foregoing, other than, in the case of each of clauses (ii) through (iv), any such violation, conflict, default, right, loss or Lien which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

(d) Other than the Verizon Approvals, no authorization, consent or approval of, or filing with, any Governmental Authority is necessary for the consummation by Spinco of the transactions contemplated by this Agreement and the other Transaction Agreements to which Spinco is a party, except for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

#### 5.4 Financial Statements.

(a) Verizon and Spinco have previously made available to the Company complete and correct copies of:

(i) the audited combined Statements of Selected Assets, Selected Liabilities and Parent Funding of the local exchange businesses and related landline activities of Verizon in the states of Maine, New Hampshire and Vermont (including Internet access, long distance and customer premises equipment services provided to customers in those states) for the fiscal years ended December 31, 2004 and 2005, and the related audited combined statements of income, cash flows and parent funding for the fiscal years ended December 31, 2003, 2004 and 2005, including the notes thereto (collectively, the “Audited Financial Statements”); and

(ii) the unaudited interim combined Statements of Selected Assets, Selected Liabilities and Parent Funding of the local exchange businesses and related landline activities of Verizon in the states of Maine, New Hampshire and Vermont (including Internet access, long distance and customer premises equipment services provided to customers in those states) for the nine months ended September 30, 2006, and the related unaudited interim combined statements of income and cash flows for the nine months ended September 30, 2006 (collectively, the “Interim Financial Statements” and, together with the Audited Financial Statements, the “Spinco Financial Statements”).

(b) The Spinco Financial Statements fairly present in all material respects, and any other financial statements prepared and delivered in accordance with Section 7.3(h) will fairly present in all material respects, the financial position of the Spinco Business as of the respective dates thereof, and the results of operations and changes in cash flows, changes in parent funding or other information included therein for the respective periods or as of the respective dates then ended, in each case except as otherwise noted therein and subject, where appropriate, to normal year-end audit adjustments. The Spinco Financial Statements and such other financial statements have been or will be prepared in accordance with GAAP, applied on a consistent basis, except as otherwise noted therein.

(c) As of the date hereof, neither Spinco nor any of the Spinco Subsidiaries is required to file any form, report, registration statement, prospectus or other document with the SEC.

(d) Except for liabilities incurred in the ordinary course of business, consistent with past practice, since the date of the balance sheet included in the Interim Financial Statements (the "Interim Balance Sheet Date") or as set forth in the Spinco Financial Statements or the notes thereto, since the Interim Balance Sheet Date, Verizon and its Subsidiaries conducting the Spinco Business have not incurred any liabilities or obligations arising from the Spinco Business that are of a nature that would be required to be disclosed on a combined balance sheet prepared consistently with the Interim Financial Statements or in the notes thereto prepared in conformity with GAAP, other than liabilities or obligations that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

5.5 Absence of Certain Changes or Events. Except as specifically contemplated by this Agreement or the other Transaction Agreements, since the Interim Balance Sheet Date, the Spinco Business has been conducted in the ordinary course, consistent with past practice, and there has not been any event, occurrence, development or state of circumstances or facts that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business. From the Interim Balance Sheet Date to the date hereof, none of Verizon, Spinco or any of their respective Subsidiaries has taken any action or failed to take any action, which action or failure, as the case may be, would constitute a breach of Section 7.2 if taken without the Company's consent after the date hereof.

5.6 Investigations; Litigation. Except as set forth in Section 5.6 of the Spinco Disclosure Letter:

(a) There is no material investigation or review pending (or, to Spinco's Knowledge, threatened) by any Governmental Authority with respect to Spinco or any of the Spinco Subsidiaries, or with respect to Verizon or any Verizon Subsidiary relating to the Spinco Business.

(b) There are no actions, suits, grievances, arbitrations, investigations or proceedings pending (or, to Spinco's Knowledge, threatened) against or affecting Spinco or any of the Spinco Subsidiaries or any of their respective properties or otherwise affecting the Spinco Business at law or in equity before, and there are no Orders of any Governmental Authority, in each case, which would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

5.7 Compliance with Laws. The Subsidiaries of Verizon conducting the Spinco Business are and since January 1, 2004 have been, in compliance with all, and have received no notice of any violation (as yet unremedied) of any, Laws applicable to such Subsidiaries of Verizon or any of their respective properties or assets or otherwise affecting the Spinco Business, except where such non-compliance, default or violation has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business. Notwithstanding anything contained in this Section 5.7, no representation or warranty shall be deemed to be made in this Section 5.7 in respect of environmental, Tax, employee benefits, labor or communications Laws matters, which are the subject of the representations and warranties made in Sections 5.10, 5.11, 5.12, 5.13 and 5.19 of this Agreement, respectively.

5.8 Proxy Statement/Prospectus; Registration Statements. None of the information regarding Verizon or its Subsidiaries, Spinco or the Spinco Subsidiaries, or the Spinco Business, or the transactions contemplated by this Agreement or any other Transaction Agreement that is provided by Verizon or Spinco or any of their respective Subsidiaries specifically for inclusion in, or incorporation by reference into, the Proxy Statement/Prospectus or the Registration Statements will, in the case of the definitive Proxy Statement/Prospectus or any amendment or supplement thereto, at the time of the mailing of the definitive Proxy Statement/Prospectus and any amendment or supplement thereto, and at the time of the Company Stockholders Meeting, or, in the case of the Registration Statements, at the time such registration statement becomes effective, at the time of the Company Stockholders Meeting (in the case of the Company Registration Statement), at the Distribution Date and at the Effective Time, contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. Any Spinco Registration Statement will comply in all material respects with the provisions of the Securities Act, and the rules and regulations promulgated thereunder, except that no representation is made by Verizon or Spinco with respect to information provided by the Company specifically for inclusion in, or incorporation by reference into, any Spinco Registration Statement.

5.9 Information Supplied. All documents that Spinco or any Spinco Subsidiary is responsible for filing with any Governmental Authority in connection with

the transactions contemplated hereby or by any other Transaction Agreement will comply in all material respects with the provisions of applicable Law. All information supplied or to be supplied by Spinco or any Spinco Subsidiary in any document, other than the Proxy Statement/Prospectus or the Registration Statements, which is addressed in Section 5.8, filed with any Governmental Authority in connection with the transactions contemplated hereby and by the other Transaction Agreements will be, at the time of filing, at the Distribution Date and at the Effective Time, true and correct in all material respects.

5.10 Environmental Matters. Except as set forth in Section 5.10 of the Spinco Disclosure Letter:

(a) All material Environmental Permits required pursuant to any Environmental Law for operation of the Spinco Business (i) have been obtained by the Subsidiaries of Verizon conducting the Spinco Business and (ii) are currently in full force and effect. Subsidiaries of Verizon conducting the Spinco Business are in material compliance with all material Environmental Permits required pursuant to any material Environmental Law for operation of the Spinco Business.

(b) To Spinco's Knowledge, the Subsidiaries of Verizon conducting the Spinco Business are, and at the Effective Time Spinco and Spinco Subsidiaries will be in material compliance with all applicable Environmental Laws with respect to the Spinco Business. To Spinco's Knowledge, there are no events, conditions, circumstances, activities, practices or incidents related to the Spinco Business which would, or would reasonably be likely to, give rise to any Environmental Claim reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

(c) There is no civil, criminal or administrative action, suit, demand, Environmental Claim, hearing, notice, or demand letter, notice of violation, investigation or proceeding pending or, to Spinco's Knowledge, threatened against the Subsidiaries of Verizon conducting the Spinco Business related to any Environmental Permit or any applicable Environmental Law or any plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

(d) To Spinco's Knowledge, the Subsidiaries of Verizon conducting the Spinco Business have not generated, stored, used, emitted, discharged or disposed of any Hazardous Material in the conduct of the Spinco Business except in material compliance with applicable Environmental Law. To Spinco's Knowledge, Verizon and its Subsidiaries have made available to the Company for its review copies of those reports, audits, studies or analyses in their possession,

custody or control that are material to the representations made in this Section 5.10.

(e) The Subsidiaries of Verizon conducting the Spinco Business (i) have not, within the past seven years, received any written request for information, and have not been notified that they are a potentially responsible party, under the Comprehensive Environmental Response, Compensation or Liability Law in connection with the conduct of the Spinco Business and (ii) to Spinco's Knowledge, have not, within the past seven years, been, and are not reasonably likely to be, subject to liability for any Environmental Claim arising under or pursuant to such laws in connection with the conduct of the Spinco Business.

#### 5.11 Tax Matters.

(a) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Spinco Business, (i) all Tax Returns relating to the Spinco Business required to be filed have been filed, (ii) all such Tax Returns are true and correct in all respects as filed or have been subsequently amended to make such Tax Returns true and correct and not further amended, (iii) all Taxes shown as due and payable on such Tax Returns, and all Taxes (whether or not reflected on such Tax Returns) relating to the Spinco Business required to be paid, have been timely paid in full, (iv) all Taxes relating to the Spinco Business for any taxable period (or a portion thereof) beginning on or prior to the Closing Date (which are not yet due and payable) have been properly accrued for in the Spinco Financial Statements and (v) Verizon and the Subsidiaries of Verizon conducting the Spinco Business have duly and timely withheld all Taxes required to be withheld in respect of the Spinco Business and such withheld Taxes have been either duly and timely paid to the proper Taxing Authority or properly set aside in accounts for such purpose and will be duly and timely paid to the proper Taxing Authority.

(b) Except as set forth in Section 5.11(b) of the Spinco Disclosure Letter, no written agreement or other written document waiving or extending, or having the effect of waiving or extending, the statute of limitations or the period of assessment or collection of any Taxes relating to any Subsidiary of Verizon conducting the Spinco Business or the Spinco Business, and no power of attorney with respect to any such Taxes, has been filed or entered into with any Taxing Authority.

(c) Except as set forth in Section 5.11(c) of the Spinco Disclosure Letter, (i) no audits or other administrative proceedings or proceedings before any Taxing Authority are presently pending with regard to any Taxes or Tax Return of any Subsidiary of Verizon conducting the Spinco Business or the Spinco Business, as to which any Taxing Authority has asserted in writing any claim which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a

Material Adverse Effect on the Spinco Business, and (ii) no Taxing Authority is now asserting in writing any deficiency or claim for Taxes or any adjustment to Taxes with respect to which any Subsidiary of Verizon conducting the Spinco Business or the Spinco Business may be liable with respect to income or other material Taxes which has not been fully paid or finally settled.

(d) Except as set forth in Section 5.11(d) of the Spinco Disclosure Letter, no Subsidiary of Verizon conducting the Spinco Business (i) is a party to or bound by or has any obligation under any Tax separation, sharing or similar agreement or arrangement other than the Tax Sharing Agreement, (ii) is or has been a member of any consolidated, combined or unitary group for purposes of filing Tax Returns or paying Taxes (other than a group of which Verizon is the common parent corporation) or has any potential liability for Taxes of another Person (other than Verizon or any of the Verizon Subsidiaries) under Treasury Regulations § 1.1502-6 or (iii) has entered into a closing agreement pursuant to Section 7121 of the Code, or any predecessor provision or any similar provision of state or local law.

(e) None of the Spinco Assets is subject to any Tax lien (other than liens for Taxes that are not yet due and payable).

(f) Section 5.11(f) of the Spinco Disclosure Letter lists all foreign jurisdictions in which any Subsidiary of Verizon conducting the Spinco Business files a material Tax Return.

(g) No Subsidiary of Verizon conducting the Spinco Business has agreed to make or is required to make any adjustment for a taxable period ending after the Effective Time under Section 481(a) of the Code by reason of a change in accounting method or otherwise, except where such adjustments have not had, and could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Spinco Business.

(h) No Subsidiary of Verizon conducting the Spinco Business has constituted either a “distributing corporation” or a “controlled corporation” (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock (other than the Distribution) qualifying for tax-free treatment under Section 355 of the Code (i) in the two years prior to the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a “plan” or “series of related transactions” (within the meaning of Section 355(e) of the Code) in connection with the Merger.

(i) No Subsidiary of Verizon conducting the Spinco Business does so through, and no Spinco Assets are held by, a partnership, limited liability company treated as a partnership for tax purposes, or any other flow-through entity that, in each case, is not wholly owned by Verizon or wholly owned by Subsidiaries of Verizon.

(j) None of Verizon or any Subsidiary of Verizon conducting the Spinco Business has taken or agreed to take any action that is reasonably likely to (nor is any of them aware of any agreement, plan or other circumstance that would) prevent the Tax-Free Status of the Transactions.

(k) No Subsidiary of Verizon conducting the Spinco Business has engaged in any listed transaction, or any reportable transaction the principal purpose of which was tax avoidance, within the meaning of Sections 6011, 6111 and 6112 of the Code.

#### 5.12 Benefit Plans.

(a) Section 5.12(a) of the Spinco Disclosure Letter lists each “employee benefit plan” (as defined in Section 3(3) of ERISA), and all other benefit, bonus, incentive, deferred compensation, stock option (or other equity-based compensation), severance, change in control, welfare (including post-retirement medical and life insurance) and fringe benefit plans, whether or not subject to ERISA and whether written or oral, sponsored, maintained or contributed to or required to be contributed to by any Subsidiary of Verizon conducting the Spinco Business, to which Spinco or any of the Spinco Subsidiaries will be a party on the Distribution Date, as provided in the Employee Matters Agreement, or in which any Person who is currently, has been or, on or prior to the Effective Time, is expected to become an employee of any Subsidiary of Verizon conducting the Spinco Business (a “Spinco Employee”) will be a participant on the Distribution Date, or with respect to which any Subsidiary of Verizon conducting the Spinco Business has any material liability (the “Spinco Benefit Plans”).

(b) No material liability under Title IV (including Sections 4069 and 4212(c) of ERISA) or Section 302 of ERISA has been or as of the Effective Time will have been incurred by any Subsidiary of Verizon conducting the Spinco Business or any ERISA Affiliate of any of them, and no condition exists that would reasonably be expected to result in any Subsidiary of Verizon conducting the Spinco Business incurring any such liability, other than liability for premiums due to the PBGC as of the Distribution Date. Except as disclosed in Section 5.12(b) of the Spinco Disclosure Letter, the present value of accrued benefits under each Spinco Benefit Plan that is subject to Title IV of ERISA, determined based upon the actuarial assumptions used for funding purposes in the most recent actuarial report prepared by such plan’s actuary with respect to such plan, will not exceed the then current value of the assets of such plan allocable to such accrued benefits.

(c) Except as disclosed in Section 5.12(c) of the Spinco Disclosure Letter, (i) no Spinco Benefit Plan is or will be at the Effective Time a “multiemployer plan,” as defined in Section 3(37) of ERISA and (ii) none of the Subsidiaries of Verizon conducting the Spinco Business or any ERISA Affiliate of any of them has made or suffered or will as of the Effective Time have made or suffered a “complete withdrawal” or a “partial withdrawal,” as such terms are respectively defined in Section 4203 and 4205 of ERISA, the liability for which has not been satisfied in full.



(d) Each Spinco Benefit Plan has been, or for periods on or prior to the Distribution Date will have been, operated and administered in all material respects in accordance with its terms and applicable Law, including ERISA and the Code. All contributions and premium payments required to be made with respect to any Spinco Benefit Plan have now been, or on the Distribution Date will have been, timely made, except as may otherwise be specifically permitted under the terms of the Employee Matters Agreement. Except as set forth in Section 5.12(d) of the Spinco Disclosure Letter, there are no pending or, to Spinco's Knowledge, threatened claims by, on behalf of or against any of the Spinco Benefit Plans in effect as of the date hereof or any Assets thereof, that, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business, and no matter is pending (other than routine qualification determination filings, copies of which have been furnished to the Company or will be promptly furnished to the Company when made) before the IRS, the United States Department of Labor or the PBGC with respect to any Spinco Benefit Plan.

(e) Each Spinco Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is so qualified and the trusts maintained thereunder are exempt from taxation under Section 501(a) of the Code, each trust maintained under any Spinco Benefit Plan intended to satisfy the requirements of Section 501(c)(9) of the Code has satisfied such requirements and, in either such case, no event has occurred or condition is known to exist that would reasonably be expected to have a material adverse effect on such tax-qualified status for any such Spinco Benefit Plan or any such trust.

(f) Except as contemplated by this Agreement and each other Transaction Agreement, no Spinco Benefit Plan or employment arrangement, no similar plan or arrangement sponsored or maintained by Verizon in which any Spinco Employee is, or on the Distribution Date will be, a participant and no contractual arrangement between any Subsidiary of Verizon conducting the Spinco Business and any third party exists, or on the Distribution Date will exist, that could result in the payment to any current, former or future director, officer, stockholder or employee of any of the Subsidiaries of Verizon conducting the Spinco Business, or of any entity the assets or capital stock of which have been acquired by a Subsidiary of Verizon conducting the Spinco Business, of any money or other property or rights or accelerate or provide any other rights or benefits to any such individual as a result of the consummation of the transactions contemplated by the Transaction Agreements (including the Distribution), whether or not (a) such payment, acceleration or provision would constitute a "parachute payment" (within the meaning of Section 280G of the Code) or (b) some other subsequent action or event would be required to cause such payment, acceleration or provision to be triggered.

5.13 Labor Matters. Except to the extent listed in Section 5.13(a) of the Spinco Disclosure Letter, no Subsidiary of Verizon conducting the Spinco Business is a party to, or bound by, any collective bargaining agreement, employment agreement or other

Contract, in each case, with a labor union or labor organization. Except to the extent listed in Section 5.13(b) of the Spinco Disclosure Letter and except for such matters which have not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business, (a) as of the date hereof, there are no strikes or lockouts with respect to Spinco Employees, (b) there is no unfair labor practice, charge, complaint, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or, to Spinco's Knowledge, threatened against any of the Subsidiaries of Verizon conducting the Spinco Business, (c) there are no actual or, to Spinco's Knowledge, threatened claims, arbitrations, litigation or consent decrees relating to employment Laws, terms and conditions of employment and wages and hours pertaining to Spinco Employees or employment practices affecting Spinco Employees in the Spinco Business and (d) the Subsidiaries of Verizon conducting the Spinco Business are in compliance with all applicable Laws respecting (i) employment and employment practices, (ii) terms and conditions of employment and wages and hours, (iii) collective bargaining and labor relations practices, (iv) layoffs, and (v) immigration. As of the date hereof, no Subsidiary of Verizon conducting the Spinco Business has any liabilities under the WARN Act as a result of any action taken by any Subsidiary of Verizon conducting the Spinco Business and that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

5.14 Intellectual Property.

(a) Section 5.14(a) of the Spinco Disclosure Letter contains a complete and accurate list of all Statutory Intellectual Property owned by Spinco. For the avoidance of doubt, the post-Closing ownership of and/or rights in such Statutory Intellectual Property and other intellectual property shall be apportioned between Spinco and the Spinco Subsidiaries, on the one hand, and Verizon and its other Affiliates, on the other, in accordance with the Intellectual Property Agreement.

(b) Except as disclosed in Section 5.14(b) of the Spinco Disclosure Letter, neither Verizon nor any of its U.S. Affiliates, including the Subsidiaries of Verizon conducting the Spinco Business, have received since January 1, 2002 any written charge, complaint, claim, demand or notice alleging any interference, infringement, misappropriation or violation by the Spinco Business of (including any claim that the Subsidiaries of Verizon conducting the Spinco Business must license or refrain from using) any Verizon Third Party Intellectual Property material to the Spinco Business.

(c) Except as disclosed in Section 5.14(c) of the Spinco Disclosure Letter, to Spinco's Knowledge, there are no Liens on any Customer Data, personnel data of Spinco Employees who become employees of the Surviving Corporation or its Subsidiaries at Closing, or Proprietary Business Information.

(d) Subject to obtaining the required Verizon IP Consents and to complying with the terms and conditions of any Contracts applicable to Network Element Software, the Surviving Corporation and its Subsidiaries, immediately after the Effective Time, shall have the right to use the Network Element Software in accordance with such Verizon IP Consents and such Contracts.

5.15 Material Contracts.

(a) Except for this Agreement, each other Transaction Agreement, the documents relating to the New Financing and the Spinco Securities, the Spinco Benefit Plans and except as disclosed in Section 5.15(a) of the Spinco Disclosure Letter, neither Verizon nor any of its Subsidiaries with respect to the Spinco Business is, as of the date hereof, a party to or bound by any “material contract” (as such term is defined in item 601(b)(10) of Regulation S-K of the SEC and as would be applicable to the Spinco Business only) (all Contracts of the type described in this Section 5.15(a) and any other such Contracts that may be entered into by Verizon or any Subsidiary of Verizon after the date hereof and prior to the Effective Time being referred to herein as “Spinco Material Contracts”). Complete and correct copies of all Spinco Material Contracts have been provided to the Company.

(b) Except as set forth in Section 5.15(b) of the Spinco Disclosure Letter, (i) neither Verizon nor any Subsidiary of Verizon is in breach of or default under the terms of any Spinco Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business, (ii) to Spinco’s Knowledge, no other party to any Spinco Material Contract is in breach of or in default under the terms of any Spinco Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business and (iii) each Spinco Material Contract is a valid and binding obligation of Verizon or any Subsidiary of Verizon which is a party thereto and, to Spinco’s Knowledge, of each other party thereto, and is in full force and effect, except that (A) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors’ rights generally and (B) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

5.16 Board and Stockholder Approval. The Boards of Directors of Verizon and Spinco, in each case, at a meeting duly called, have unanimously approved this Agreement and declared it advisable. As of the date hereof, the sole stockholder of Spinco is Verizon. Immediately after execution of this Agreement, Verizon will approve and adopt (the “Spinco Stockholder Approval”), as Spinco’s sole stockholder, all aspects of this Agreement and the other Transaction Agreements and the transactions contemplated hereby and thereby which require the consent of Spinco’s stockholder

under the DGCL, Spinco's certificate of incorporation or Spinco's bylaws. The approval of Verizon's stockholders is not required to effect the transactions contemplated by the Distribution Agreement, this Agreement or the other Transaction Agreements. Upon obtaining the Spinco Stockholder Approval, the approval of Spinco's stockholders after the Distribution Date will not be required to effect the transactions contemplated by this Agreement, including the Merger, unless this Agreement is amended in accordance with Section 251(d) of the DGCL after the Distribution Date and such approval is required, solely as a result of such amendment, under the DGCL, Spinco's certificate of incorporation or Spinco's bylaws or by the IRS.

5.17 Sufficiency of Assets.

(a) After giving effect to the Contribution and the other transactions described in or contemplated by the Distribution Agreement, and subject to the receipt of all applicable approvals and consents, including those contemplated by Section 5.3(d), Spinco, together with the Spinco Subsidiaries, will have, in all material respects, good and valid title to, or in the case of leased property, valid leasehold interests in, all of the material Spinco Assets, except where the failure to have had such good and valid title or valid leasehold interest would not be material to Spinco or the Spinco Business as currently conducted.

(b) Subject to the immediately following sentence, the assets of Spinco and the Spinco Subsidiaries as at the Closing Date (assuming the consummation of the Contribution) and the services to be provided pursuant to the Transition Services Agreement will be sufficient to permit the Surviving Corporation and its Subsidiaries to carry on the functional operation of the incumbent local exchange carrier portion of the Spinco Business in the Territory (consisting of local exchange service, intraLATA toll service, network access service, enhanced voice and data services, DSL services and wholesale services) immediately following the Effective Time (x) in all material respects, in compliance with Law and (y) in a manner consistent with the operation of such portions of the Spinco Business immediately prior to the Effective Time.

Notwithstanding the foregoing, it is understood and agreed that: (i) the Company and the Surviving Corporation are not being assigned the Excluded Contracts and those assets and services listed or described in Section 5.17(b) of the Spinco Disclosure Letter, which assets and services are necessary for the conduct of such portion of the Spinco Business, (ii) the administrative and regional headquarters management employees currently operating or advising the Spinco Business will not be transferred to Spinco and the Spinco Subsidiaries and the immediately preceding sentence assumes that the Surviving Corporation will provide such equivalent personnel as may be appropriate for the benefit of the Spinco Business, (iii) the immediately preceding sentence assumes that Surviving Corporation will take all of the Transition Services offered by Verizon's Affiliates under the Transition Services Agreement, (iv) without limiting Section 5.14, the immediately preceding sentence does not purport to address the existence or sufficiency of any rights

in or licenses to any Intellectual Property, (v) the immediately preceding sentence shall not be deemed a representation or warranty as to any revenue, costs or expenses associated with the conduct of such portion of the Spinco Business immediately following the Effective Time and (vi) the immediately preceding sentence assumes the receipt of all necessary authorizations, approvals, consents or waivers required by Law, by Governmental Authorities or other third Persons pursuant to their Contract rights in connection with the transactions contemplated by the Distribution Agreement and this Agreement and pursuant to the Transaction Agreements.

5.18 Spinco Real Property.

(a) Section 5.18(a) of the Spinco Disclosure Letter sets forth the address of all real property that is or will be following the Contribution Spinco Owned Real Property the loss of which would be material and adverse to the Spinco Business. After giving effect to the Contribution and the other transactions contemplated by the Distribution Agreement, Spinco, or the Spinco Subsidiaries, and subject to the receipt of all applicable consents or approvals will have, in all material respects, good and valid and marketable title to all of the Spinco Owned Real Property identified on such Section of the Spinco Disclosure Letter free and clear of all encumbrances other than Permitted Encumbrances. Except as set forth on Section 5.18(a) of the Spinco Disclosure Letter, neither Verizon nor any of its Subsidiaries has leased or otherwise granted any third party any right to use or occupy any of the Spinco Owned Real Property identified on such Section of the Spinco Disclosure Letter, and except as set forth on Section 5.18(a) of the Spinco Disclosure Letter, there are no outstanding options, rights of refusal, rights of first offer, rights of reverter or other third party rights in Spinco Owned Real Property identified on such Section of the Spinco Disclosure Letter.

(b) Section 5.18(b) of the Spinco Disclosure Letter sets forth a list of the real property leases which are leases of Spinco as of the date hereof ("Spinco Leases"). Section 5.18(b) of the Spinco Disclosure Letter sets forth the subleases in respect of Spinco Leases as of the date hereof (the "Spinco Subleases"). Spinco has previously made available to the Company complete and correct copies of each of the Spinco Leases and Spinco Subleases. Except as set forth in Section 5.18(b) of the Spinco Disclosure Letter with respect to Spinco Leases and Spinco Subleases (i) each is enforceable in accordance with its terms, subject to bankruptcy, insolvency and other similar Laws affecting the rights of creditors generally and subject to the exercise of judicial discretion in accordance with principles of equity, (ii) there is no material default or material breach of a covenant by Verizon or any of its Subsidiaries, (iii) no event has occurred which with or without the giving of notice or lapse of time, or both, would constitute such a material default or material breach and (iv) there has been no collateral assignment or other security interest and they are not subject to any encumbrance other than Permitted Encumbrances.

5.19 Communications Regulatory Matters.

(a) Spinco and the Spinco Subsidiaries hold, or on the Distribution Date will hold, all permits, licenses, franchises, waivers, orders, approvals, concessions, registrations and other authorizations issued or provided by the FCC, state public service or public utility commissions (the “State Regulators”) or other Governmental Authority under all Laws currently in effect, which are necessary for Spinco and/or the Spinco Subsidiaries to own their respective assets or operate the applicable portion of the Spinco Business as currently conducted, (“Spinco Licenses”), except such Spinco Licenses the failure of which to so hold would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Spinco Business.

(b) Verizon and each of the Contributing Companies in the conduct of the Spinco Business has complied since January 1, 2004 with, and currently is not in violation of, any requirement of Law of a Governmental Authority relating to communications regulatory matters to which Spinco or the Spinco Business is subject, except to the extent that any such non-compliance or violation would not reasonably be expected to result in any material burden, fine or consequence on the Spinco Business or as set forth in Section 5.19(b) of the Spinco Disclosure Letter. Without limiting the foregoing, there is not pending, nor to Verizon’s or Spinco’s Knowledge, threatened against Verizon or any of its Subsidiaries any application, action, petition, objection or other pleading, or any proceeding with the FCC or any State Regulators which questions or contests the validity of, or any rights of the holder under, or seeks the non-renewal or suspension of any Spinco License. Since January 1, 2004, neither Verizon nor any of the Contributing Companies has received written notice of an investigation or review by any Governmental Authority with respect to a material violation by Verizon or any of the Contributing Companies (with respect to the use or operation of the Spinco Assets) of any requirement of Law relating to the Spinco Business, excluding any notice in respect of a matter that has been withdrawn or resolved without the imposition of material penalties, burdens or fines and except as set forth in Section 5.19(b) of the Spinco Disclosure Letter. Spinco (a) is capable of providing local number portability in material compliance with 47 U.S.C. § 251(b)(2) and the implementing rules of the FCC; (b) complies in all material respects with the requirements of the Communications Assistance for Law Enforcement Act, 47 U.S.C. § 1001 *et seq.*, and the implementing rules of the FCC (“CALEA”); and (c) is capable of providing 911 service in material compliance with 47 U.S.C. § 251(e)(3) and the implementing rules of the FCC.

5.20 Company Common Stock. Neither Verizon nor Spinco owns (directly or indirectly, beneficially or of record) nor is a party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, in each case, any shares of capital stock of the Company (other than as contemplated by this Agreement), in each case other than any ownership by pension or other benefit plans sponsored for employees of Verizon and/or its Subsidiaries.

5.21 Affiliate Transactions. Except as specifically provided in this Agreement or any of the other Transaction Agreements or as disclosed in Section 5.21 of the Spinco Disclosure Letter, there are no transactions or Contracts of the type that would be required to be disclosed by Subsidiaries of Verizon conducting the Spinco Business under Item 404 of Regulation S-K if such companies were a company subject to such Item between or among (a) Verizon, Spinco or any Spinco Subsidiary, on the one hand, and (b) any individual who is a “named executive officer” (as such term is defined in Section 402 of Regulation S-K) of Verizon, Spinco or any Spinco Subsidiary, on the other hand, in each case to the extent such transactions or Contracts relate to the Spinco Business but in each case excluding compensation received as an employee in the ordinary course.

5.22 Certain Entities Not ILECs. None of Verizon Business Global, LLC, Verizon Global Networks Inc., Verizon Select Services Inc., Verizon Federal Inc., Federal Network Systems LLC or Verizon Network Integration Corp. is an Incumbent Local Exchange Carrier (“ILEC”), as that term is defined in 47 U. S. C. §251(h), and no such entity provides local exchange services as an ILEC in the States of Maine, Vermont or New Hampshire.

5.23 Reseller Agreement. Verizon has been advised by Verizon Wireless that (i) Verizon Wireless has received the Company’s “Application for Reseller Status” and (ii) if that application is approved by Verizon Wireless in accordance with its standard practices, then Verizon Wireless will be prepared at the Effective Time to enter into a reseller agreement with the Company for a two year term on Verizon Wireless’s otherwise standard terms and conditions as of the date of execution of such reseller agreement (including, without limitation, those related to volume of business); provided that there is no material change in the information set forth in the Company’s “Application for Reseller Status” from the time of its submission through the time of execution of such reseller agreement.

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as disclosed in the corresponding section of the Disclosure Letter delivered by the Company to Verizon and Spinco immediately prior to the execution of this Agreement (the “Company Disclosure Letter”), the Company represents and warrants to Verizon and Spinco as follows:

#### 6.1 Organization; Qualification.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of Delaware, has all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as presently

conducted, and is duly qualified and licensed to do business and is in good standing in each jurisdiction in which the ownership or leasing of its property or the conduct of its business requires such qualification, except for jurisdictions in which the failure to be so qualified or to be in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The copies of the Company's certificate of incorporation and bylaws and the certificate of incorporation and bylaws (or analogous governing documents) of any Company Subsidiary that is a Significant Subsidiary of the Company, previously made available to Verizon and Spinco are complete and correct copies of such documents as in full force and effect on the date hereof.

(b) Section 6.1(b) of the Company Disclosure Letter sets forth a list of the Company Subsidiaries and their respective jurisdictions of incorporation or organization, together with a designation of those Company Subsidiaries constituting Significant Subsidiaries of the Company.

## 6.2 Capital Stock and Other Matters.

(a) The authorized capital stock of the Company consists of 200,000,000 shares of Company Common Stock and 100,000,000 shares of preferred stock of the Company. As of the date hereof, (i) 35,268,443 shares of Company Common Stock were issued and outstanding (including 603,363 shares of restricted stock), 1,308,297 shares of Company Common Stock were reserved for issuance pursuant to the Company Stock Plans; (ii) no shares of Company Common Stock were held by the Company in its treasury or by its Subsidiaries; and (iii) no shares of preferred stock of the Company were issued and outstanding. All of the issued and outstanding shares of Company Common Stock are validly issued, fully paid and nonassessable and free of preemptive rights and were issued in compliance with all applicable securities Laws, including, without limitation, all applicable registration requirements under the Securities Act (unless an exemption from registration was available for a particular issuance).

(b) No bonds, debentures, notes or other indebtedness of the Company or any of the Company Subsidiaries having the right to vote (or convertible into or exercisable for securities having the right to vote) on any matters on which holders of shares of capital stock of the Company (including Company Common Stock) may vote ("Company Voting Debt") are, or at the Distribution Date will be, issued or outstanding.

(c) Except as set forth in Section 6.2(a) above or as set forth in Section 6.2(c) of the Company Disclosure Letter, there are no outstanding securities, options, warrants, convertible securities, calls, rights, commitments or Contracts of any kind to which the Company or any of the Company Subsidiaries is a party or by which any of them is bound obligating the Company or any of the Company Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of Company Common Stock, Company Voting Debt or other voting securities of the Company or any of the



Company Subsidiaries or obligating the Company or any of the Company Subsidiaries to issue, grant, extend, redeem, acquire or enter into any such security, option, warrant, convertible security, call, right, commitment, agreement, arrangement, undertaking or Contract.

(d) Except as set forth in Section 6.2(d) of the Company Disclosure Letter or as contemplated by this Agreement, there are no stockholders agreements, voting trusts or other Contracts to which the Company is a party or by which it is bound relating to voting or transfer of any shares of capital stock of the Company or the nomination of any directors thereof.

### 6.3 Corporate Authority; No Violation.

(a) The Company has the corporate power and authority to enter into this Agreement and each other Transaction Agreement to which it is, or as of the Effective Time will be, a party, and subject to obtaining the Requisite Approval, to carry out its obligations hereunder. The execution, delivery and performance by the Company of this Agreement and each other Transaction Agreement to which it is or as of the Effective Time will be a party and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Company, subject to obtaining the Requisite Approval.

(b) This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Verizon and Spinco, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies). As of immediately prior to the Effective Time, each other Transaction Agreement to which the Company is a party will have been duly executed and delivered by the Company and will, assuming the due authorization, execution and delivery by the other parties thereto, constitute a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(c) Except as set forth in Section 6.3(c) of the Company Disclosure Letter, neither the execution and delivery by the Company of this Agreement and each other Transaction Agreement to which the Company is, or as of the Effective Time will be, a party, nor the consummation by the Company of the transactions contemplated hereby or thereby, or performance by the Company of any of the provisions hereof or thereof will (i) violate or conflict with any provision of the Company's certificate of incorporation or bylaws; (ii) assuming the consents and approvals referred to in Section 6.3(d) below are

obtained, result in a default (or an event that, with notice or lapse of time or both, would become a default) or give rise to any right of termination by any third party, cancellation, amendment or acceleration of any obligation or the loss of any benefit under, any Contract to which the Company or any of the Company Subsidiaries is a party or by which the Company or any of the Company Subsidiaries is bound or affected; (iii) other than in connection with the New Financing and, if consummated, the financing contemplated by the Backstop Facility Commitment, result in the creation of a Lien, pledge, security interest, claim or other encumbrance on any of the issued and outstanding shares of Company Common Stock or on any of the assets of the Company or any of the Company Subsidiaries pursuant to any Contract to which the Company or any of the Company Subsidiaries is a party or by which the Company or the Company Subsidiaries is bound or affected; or (iv) assuming the consents and approvals contemplated by Section 6.3(d) below are obtained, violate or conflict with any Order or Law applicable to the Company or any of the Company Subsidiaries, or any of the properties, business or assets of any of the foregoing, other than, in the case of each of clauses (ii) through (iv), any such violation, conflict, default, right, loss or Lien which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(d) Other than in connection with or in compliance with (i) the provisions of the DGCL, (ii) the Securities Act, (iii) the Exchange Act, (iv) the HSR Act, (v) the Communications Act and applicable rules and regulations thereunder and the FCC Rules, (vi) the approvals set forth in Section 6.3(d) of the Company Disclosure Letter and (vii) the Requisite Approval (collectively, the “Company Approvals”), no authorization, consent or approval of, or filing with any Governmental Authority is necessary for the consummation by the Company of the transactions contemplated by this Agreement, except for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

#### 6.4 Company Reports and Financial Statements.

(a) The Company has previously made available to Spinco complete and correct copies of:

(i) the Company’s Annual Report on Form 10-K filed with the SEC under the Exchange Act for the year ended December 31, 2005, including the Company’s audited consolidated balance sheet at December 31, 2005 and 2004, and the related audited consolidated statements of operations, cash flows and stockholder’s equity for the fiscal years ended December 31, 2005, 2004 and 2003 (the “Company Financial Statements”);

(ii) the Company’s Quarterly Report on Form 10-Q filed with the SEC under the Exchange Act for the quarter ended September 30, 2006;

(iii) the definitive proxy statement in respect of the Company's 2006 annual meeting of stockholders, filed by the Company with the SEC under the Exchange Act on March 27, 2006;

(iv) all current reports on Form 8-K (excluding any Form 8-K that is deemed "furnished" under the Exchange Act) filed by the Company with the SEC under the Exchange Act since January 1, 2006 and prior to the date hereof; and

(v) each other form, report, schedule, registration statement and definitive proxy statement filed by the Company or any of its Subsidiaries with the SEC since January 1, 2006 and prior to the date hereof (collectively, and together with the items specified in clauses (i) through (iv) above, the "Company SEC Documents").

(b) As of their respective filing dates (and if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), the Company SEC Documents complied in all material respects, and each other form, report, schedule, registration statement and definitive proxy statement filed by the Company or any of its Subsidiaries after the date hereof and prior to the Effective Time (the "Additional Company SEC Documents") will comply in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and none of such Company SEC Documents when filed contained, or will contain, an untrue statement of a material fact or omitted, or will omit, to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited consolidated interim financial statements included in the Company SEC Documents and the Additional Company SEC Documents (including any related notes and schedules) and the Company Financial Statements fairly present in all material respects, or will fairly present in all material respects, the financial position of the Company and its consolidated Subsidiaries as of the respective dates thereof and the results of operations and changes in cash flows, changes in stockholder's equity or other information included therein for the periods or as of the respective dates then ended, subject, where appropriate, to normal year-end audit adjustments in each case in accordance with past practice and GAAP, consistently applied, during the periods involved (except as otherwise stated therein). Since its initial public offering in February 2005, the Company has timely filed all reports, registration statements and other filings required to be filed with the SEC under the rules and regulations of the SEC. Except as set forth in the Company SEC Documents filed prior to the date hereof or as set forth in Section 6.4(b) of the Company Disclosure Letter or liabilities incurred in the ordinary course of business, consistent with past practice, since September 30, 2006, the Company and the Company Subsidiaries have not incurred any liability or obligation that is of a nature that would be required to be disclosed on a consolidated balance sheet of the Company and the Company Subsidiaries or in the footnotes thereto prepared in

conformity with GAAP, other than liabilities or obligations that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) The Company and the Company Subsidiaries have designed and maintain a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company has designed and maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of the principal executive officer and principal financial officer of the Company required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act").

6.5 Absence of Certain Changes or Events. Except as specifically contemplated by this Agreement, or except as set forth in Section 6.5 of the Company Disclosure Letter, since September 30, 2006, each of the Company and the Company Subsidiaries has conducted its business in the ordinary course, consistent with past practice, and there has not been any event, occurrence, development or state of circumstances or facts that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. From September 30, 2006 to the date hereof, none of the Company or any of the Company Subsidiaries has taken any action or failed to take any action, which action or failure, as the case may be, would constitute a breach of Section 7.1 if taken without the consent of Verizon and Spinco after the date hereof.

6.6 Investigations; Litigation. Except as described in the Company SEC Documents or in Section 6.6 of the Company Disclosure Letter:

(a) There is no material investigation or review pending (or, to the Company's Knowledge, threatened) by any Governmental Authority with respect to the Company or any of the Company Subsidiaries.

(b) There are no actions, suits, grievances, arbitrations, investigations or proceedings pending (or, to the Company's Knowledge, threatened) against or affecting the Company or any of the Company Subsidiaries or any of their respective properties at law or in equity before, and there are no Orders of, any Governmental Authority, in each case which would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

6.7 Compliance with Laws. The Company and the Company Subsidiaries are, and since January 1, 2004 have been, in compliance with all, and have received no notice of any violation (as yet unremedied) of any, Laws, applicable to the Company, such Company Subsidiaries or any of their respective properties or assets, except where such non-compliance, default or violation has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. Notwithstanding anything contained in this Section 6.7, no representation or warranty shall be deemed to be made in this Section 6.7 in respect of environmental, Tax, employee benefits, labor or communications Laws matters, which are the subject of the representations and warranties made in Sections 6.10, 6.11, 6.12, 6.13 and 6.15 of this Agreement, respectively.

6.8 Proxy Statement/Prospectus; Registration Statements. None of the information regarding the Company or the Company Subsidiaries or the transactions contemplated by this Agreement provided by the Company specifically for inclusion in, or incorporation by reference into, the Proxy Statement/Prospectus or the Registration Statements will, in the case of the definitive Proxy Statement/Prospectus or any amendment or supplement thereto, at the time of the mailing of the definitive Proxy Statement/Prospectus and any amendment or supplement thereto, and at the time of the Company Stockholders Meeting, or, in the case of the Registration Statements, at the time such registration statement becomes effective, at the time of the Company Stockholders Meeting (in the case of the Company Registration Statement), at the Distribution Date and at the Effective Time, contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. The Company Registration Statement and the Proxy Statement/Prospectus will comply in all material respects with the provisions of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, except that no representation is made by the Company with respect to information provided by Verizon or Spinco specifically for inclusion in, or incorporation by reference into, the Company Registration Statement or the Proxy Statement/Prospectus.

6.9 Information Supplied. All documents that the Company is responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby or by any other Transaction Agreement will comply in all material respects with the provisions of applicable Law. All information supplied or to be supplied by the Company in any document, other than the Proxy Statement/Prospectus and Registration Statements, which are addressed in Section 6.8, filed with any Governmental Authority in connection with the transactions contemplated hereby and by the other Transaction Agreements will be, at the time of filing, at the Distribution Date and at the Effective Time, true and correct in all material respects.

6.10 Environmental Matters. Except as set forth in Section 6.10 of the Company Disclosure Letter:

(a) All material Environmental Permits required pursuant to any Environmental Law for operation of the business of the Company and each of the Company Subsidiaries (i) have been obtained by the Company and each of the Company Subsidiaries and (ii) are currently in full force and effect. The Company and each of the Company Subsidiaries are in material compliance with all material Environmental Permits required pursuant to any material Environmental Law for operation of the business of the Company and each of the Company Subsidiaries.

(b) To the Company's Knowledge, the Company and each of the Company Subsidiaries are, and at the Effective Time will be in material compliance with all applicable Environmental Laws with respect to the business of the Company and each of the Company Subsidiaries. To the Company's Knowledge, there are no events, conditions, circumstances, activities, practices or incidents related to the business of the Company and of any of the Company Subsidiaries which would, or would reasonably be likely to, give rise to any Environmental Claim reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and the Company Subsidiaries.

(c) There is no civil, criminal or administrative action, suit, demand, Environmental Claim, hearing, notice, or demand letter, notice of violation, investigation or proceeding pending or, to the Company's Knowledge, threatened against the Company or any of the Company Subsidiaries related to any Environmental Permit or any applicable Environmental Law or any plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and the Company Subsidiaries.

(d) To the Company's Knowledge, the Company and each of the Company Subsidiaries have not generated, stored, used, emitted, discharged or disposed of any Hazardous Material except in material compliance with applicable Environmental Law. To the Company's Knowledge, the Company and the Company Subsidiaries have made available to Verizon for its review copies of those reports, audits, studies or analyses in their possession, custody or control that are material to the representations made in this Section 6.10.

(e) The Company and each of the Company Subsidiaries (i) have not, within the past seven years, received any written request for information, and have not been notified that they are a potentially responsible party, under the

Comprehensive Environmental Response, Compensation or Liability Law and (ii) to the Company's Knowledge, have not, within the past seven years, been, and are not reasonably likely to be, subject to liability for any Environmental Claim arising under or pursuant to such laws.

6.11 Tax Matters.

(a) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company, (i) all Tax Returns relating to the Company and the Company Subsidiaries required to be filed have been filed, (ii) all such Tax Returns are true and correct in all respects as filed or have been subsequently amended to make such Tax Returns true and correct and not further amended, (iii) all Taxes shown as due and payable on such Tax Returns, and all Taxes (whether or not reflected on such Tax Returns) relating to the Company or any the Company Subsidiary required to be paid, have been timely paid in full, (iv) all Taxes relating to the Company and the Company Subsidiaries for any taxable period (or a portion thereof) beginning on or prior to the Closing Date (which are not yet due and payable) have been properly accrued for in the books and records of the Company, and (v) the Company and the Company Subsidiaries have duly and timely withheld all Taxes required to be withheld and such withheld Taxes have been either duly and timely paid to the proper Taxing Authority or properly set aside in accounts for such purpose and will be duly and timely paid to the proper Taxing Authority.

(b) Except as set forth in Section 6.11(b) of the Company Disclosure Letter, no written agreement or other written document waiving or extending, or having the effect of waiving or extending, the statute of limitations or the period of assessment or collection of any Taxes relating to the Company or any Company Subsidiary, and no power of attorney with respect to any such Taxes, has been filed or entered into with any Taxing Authority.

(c) Except as set forth in Section 6.11(c) of the Company Disclosure Letter, no audits or other administrative proceedings or proceedings before any Taxing Authority are presently pending with regard to any Taxes or Tax Return of the Company or any Company Subsidiary, as to which any Taxing Authority has asserted in writing any claim which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, and no Taxing Authority is now asserting in writing any deficiency or claim for Taxes or any adjustment to Taxes with respect to which the Company or any Company Subsidiary may be liable with respect to income or other material Taxes which has not been fully paid or finally settled.

(d) Neither the Company nor any Company Subsidiary (i) is a party to or bound by or has any obligation under any Tax separation, sharing or similar agreement or arrangement other than the Tax Sharing Agreement and the Company Tax Sharing Agreement, (ii) is or has been a member of any consolidated, combined or unitary group

for purposes of filing Tax Returns or paying Taxes (other than a group of which the Company is the common parent corporation) or has any potential liability for Taxes of another Person (other than the Company or any of the Company Subsidiaries under Treasury Regulations § 1.1502-6) or (iii) has entered into a closing agreement pursuant to Section 7121 of the Code, or any predecessor provision or any similar provision of state or local law.

(e) None of the assets of the Company or any of the Company Subsidiaries is subject to any Tax lien (other than liens for Taxes that are not yet due and payable).

(f) Section 6.11(f) of the Company Disclosure Letter lists all foreign jurisdictions in which the Company or any Company Subsidiary files a material Tax Return.

(g) Neither the Company nor any Company Subsidiary has agreed to make or is required to make any adjustment for a taxable period ending after the Effective Time under Section 481(a) of the Code by reason of a change in accounting method or otherwise, except where such adjustments have not had, and could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(h) Neither the Company nor any Company Subsidiary has constituted either a “distributing corporation” or a “controlled corporation” (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code.

(i) Neither the Company nor any of the Company Subsidiaries has taken or agreed to take any action that is reasonably likely to (nor are any of them aware of any agreement, plan or other circumstance that would) prevent the Tax-Free Status of the Transactions.

(j) Neither the Company nor any Company Subsidiary has engaged in any listed transaction, or any reportable transaction the principal purpose of which was tax avoidance, within the meaning of Sections 6011, 6111 and 6112 of the Code.

#### 6.12 Benefit Plans.

(a) Section 6.12(a) of the Company Disclosure Letter lists each “employee benefit plan” (as defined in Section 3(3) of ERISA), and all other benefit, bonus, incentive, deferred compensation, stock option (or other equity-based compensation), severance, change in control, welfare (including post-retirement medical and life insurance) and fringe benefit plans, whether or not subject to ERISA and whether written or oral, sponsored, maintained or contributed to or required to be contributed to by the Company or any of the Company Subsidiaries, to which the Company or any of the



Company Subsidiaries is a party or in which any Person who is currently, has been or, prior to the Effective Time, is expected to become an employee of the Company or any of the Company Subsidiaries (a “Company Employee”) is a participant (the “Company Benefit Plans”), or with respect to which the Company or any of the Company Subsidiaries has or could have any material liability.

(b) No material liability under Title IV (including Sections 4069 and 4212(c) of ERISA) or Section 302 of ERISA has been incurred by the Company, any of the Company Subsidiaries or any ERISA Affiliate of any of them, and no condition exists that would reasonably be expected to result in the Company, any of the Company Subsidiaries or any ERISA Affiliate of any of them incurring any such liability, other than liability for premiums due to the PBGC. The present value of accrued benefits under each Company Benefit Plan that is subject to Title IV of ERISA, determined based upon the actuarial assumptions used for funding purposes in the most recent actuarial report prepared by such plan’s actuary with respect to such plan, did not exceed, as of its latest valuation date, the then current value of the assets of such plan allocable to such accrued benefits.

(c) (i) No Company Benefit Plan is a “multiemployer plan,” as defined in Section 3(37) of ERISA and (ii) none of the Company, the Company Subsidiaries or any ERISA Affiliate of any of them has made or suffered a “complete withdrawal” or a “partial withdrawal,” as such terms are respectively defined in Sections 4203 and 4205 of ERISA, the liability for which has not been satisfied in full.

(d) Each Company Benefit Plan has been operated and administered in all material respects in accordance with its terms and applicable Law, including, ERISA and the Code. All contributions required to be made with respect to any Company Benefit Plan have been timely made, except for outstanding contributions in the ordinary course. Except as set forth in Section 6.12(d) of the Company Disclosure Letter, there are no pending or, to the Company’s Knowledge, threatened claims by, on behalf of or against any of the Company Benefit Plans in effect as of the date hereof or any Assets thereof, that, if adversely determined would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and no matter is pending (other than routine qualification determination filings, copies of which have been furnished to Verizon and Spinco or will be promptly furnished to Verizon and Spinco when made) with respect to any of the Company Benefit Plans before the IRS, the United States Department of Labor or the PBGC.

(e) Each Company Benefit Plan intended to be “qualified” within the meaning of Section 401(a) of the Code is so qualified and the trusts maintained thereunder are exempt from taxation under Section 501(a) of the Code, each trust maintained under any Company Benefit Plan intended to satisfy the requirements of Section 501(c)(9) of the Code has satisfied such requirements and, in either such case, no event has occurred or

condition is known to exist that would reasonably be expected to have a material adverse effect on such tax-qualified status for any such Company Benefit Plan or any such trust.

(f) No Company Benefit Plan or employment arrangement, and no contractual arrangements between the Company and any third party, exists that could result in the payment to any current, former or future director, officer, stockholder or employee of the Company or any of the Company Subsidiaries, or of any entity the assets or capital stock of which have been acquired by the Company or a Company Subsidiary, of any money or other property or rights or accelerate or provide any other rights or benefits to any such individual as a result of the consummation of the transactions contemplated by the Transaction Agreements whether or not (a) such payment, acceleration or provision would constitute a “parachute payment” (within the meaning of Section 280G of the Code) or (b) some other subsequent action or event would be required to cause such payment, acceleration or provision to be triggered.

6.13 Labor Matters. Except to the extent listed in Section 6.13 of the Company Disclosure Letter, neither the Company nor any of the Company Subsidiaries is a party to, or bound by, any collective bargaining agreement, employment agreement or other Contract, in each case, with a labor union or labor organization. Except for such matters which have not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, (a) as of the date hereof, there are no strikes or lockouts with respect to Company Employees, (b) there is no unfair labor practice, charges, complaint, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or, to the Company’s Knowledge, threatened against the Company or any of the Company Subsidiaries, (c) there are no actual or, to the Company’s Knowledge, threatened claims, arbitrations, litigation or consent decrees relating to employment Laws, terms and conditions of employment and wages and hours pertaining to employees of the Company or its Subsidiaries or employment practices affecting such employees and (d) the Company and the Company Subsidiaries are in compliance with all applicable Laws respecting (i) employment and employment practices, (ii) terms and conditions of employment and wages and hours, (iii) collective bargaining and labor relations practices, (iv) layoffs, and (v) immigration. As of the date hereof, neither the Company nor any of the Company Subsidiaries has any liabilities under the WARN Act as a result of any action taken by the Company and that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

6.14 Intellectual Property.

(a) Section 6.14(a) of the Company Disclosure Letter contains a complete and accurate list of all Statutory Intellectual Property owned by the Company or any of the Company Subsidiaries.

(b) Except as disclosed in Section 6.14(b) of the Company Disclosure Letter, neither the Company nor any Company Subsidiaries has received since January 1, 2002 any written charge, complaint, claim, demand or notice alleging any interference, infringement, misappropriation or violation by the business of the Company of (including any claim that the Company Subsidiaries conducting the business of the Company must license or refrain from using) any Company Third Party Intellectual Property material to the business of the Company.

(c) Except as disclosed in Section 6.14(c) of the Company Disclosure Letter, to the Company's Knowledge, there are no Liens on any Intellectual Property owned by the Company or any of the Company Subsidiaries.

#### 6.15 Communications Regulatory Matters.

(a) The Company and the Company Subsidiaries hold, and on the Distribution Date will hold, all permits, licenses, franchises, waivers, orders, approvals, concessions, registrations and other authorizations issued or provided by the FCC, county and municipal franchising authorities and the State Regulators under all Laws currently in effect, which are necessary for the Company and/or the Company Subsidiaries to own their respective assets or operate the applicable portion of the business of the Company as currently conducted, ("Company Licenses"), except such Company Licenses the failure of which to so hold would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The Company or the Non-ILEC Spinco Subsidiary has in full force and effect, or will have in full force and effect as of the Closing Date, authority to provide non-facilities-based international services between the U.S. and all permitted international points pursuant to 47 U.S.C. §214 and 47 C.F.R. 63.18.

(b) The Company and each of the Company Subsidiaries in the conduct of its business has complied since January 1, 2004 with, and currently is not in violation of, any requirement of Law of a Governmental Authority relating to communications regulatory matters to which the Company or any of the Company Subsidiaries is subject, except to the extent that any such non-compliance or violation would not reasonably be expected to result in any material burden, fine or consequence on the business of the Company and the Company Subsidiaries taken as a whole or as set forth in Section 6.15(b) of the Company Disclosure Letter. Without limiting the foregoing, there is not pending, nor to the Company's Knowledge, threatened against the Company or any of the Company Subsidiaries any application, action, petition, objection or other pleading, or any proceeding with the FCC or any State Regulators which questions or contests the validity of, or any rights of the holder under, or seeks the non-renewal or suspension of any Company License. Since January 1, 2004, neither the Company nor any of the Company Subsidiaries has received written notice of an investigation or review by any Governmental Authority with respect to a material violation by the Company or any of the Company Subsidiaries of any requirement of Law, excluding any notice in respect of

a matter that has been withdrawn or resolved without the imposition of material penalties, burdens or fines. The Company (a) is capable of providing local number portability in material compliance with 47 U.S.C. § 251(b)(2) and the implementing rules of the FCC; (b) complies in all material respects with the requirements of the CALEA; and (c) is capable of providing 911 service in material compliance with 47 U.S.C. § 251(e)(3) and the implementing rules of the FCC.

6.16 Material Contracts.

(a) Except for this Agreement, each other Transaction Agreement, the Company Benefit Plans and except as filed as an exhibit to any Company SEC Document or as disclosed in Section 6.16(a) of the Company Disclosure Letter, as of the date hereof, neither the Company nor any of the Company Subsidiaries, as of the date hereof, is a party to or bound by any “material contract” (as such term is defined in item 601(b)(10) of Regulation S-K of the SEC) (all Contracts of the type described in this Section 6.16(a) and any other such Contracts that may be entered into by the Company or any Company Subsidiary after the date hereof and prior to the Effective Time being referred to herein as “Company Material Contracts”). Complete and correct copies of all Company Material Contracts have been provided to Verizon.

(b) The Company has entered into an agreement with CapGemini to assist with the planning of the operation of the Spinco Business after the Closing Date (other than with respect to those services that will be provided by an Affiliate of Verizon under the Transition Services Agreement), and after the end of the term of the Transition Services Agreement with respect to all billing, customer care, technical support and other similar back office functions of the Spinco Business. The Company represents that as of the Closing Date, it will have the capability to assume responsibility for all of the operations of the Spinco Business (other than with respect to those services that will be provided by an Affiliate of Verizon under the Transition Services Agreement), and, as of the end of the term of the Transition Services Agreement, it will have the capability to assume responsibility for all other operations of the Spinco Business. The Company represents that, as of the Closing, it will have the capability to deliver comparable products and services comprising the Spinco Business to customers at service levels and at a quality no less favorable than those provided by Verizon New England in the Territory as of immediately prior to the Closing.

(c) Except as set forth in Section 6.16(c) of the Company Disclosure Letter, (i) neither the Company nor any Company Subsidiary is in breach of or default under the terms of any Company Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, (ii) to the Company’s Knowledge, no other party to any Company Material Contract is in breach of or in default under the terms of any Company Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and

(iii) each Company Material Contract is a valid and binding obligation of the Company or any Company Subsidiary which is a party thereto and, to the Company's Knowledge, of each other party thereto, and is in full force and effect, except that (A) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights generally and (B) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

(d) The Company has delivered to Verizon a complete and correct copy of the Commitment Letter and the Backstop Facility Commitment. Such agreements are in full force and effect as of the date hereof. Except as set forth in Section 6.16(d) of the Company Disclosure Letter, the Company is not a party to any other agreement with any of the counterparties thereto relating to the New Financing or the financing contemplated by the Backstop Facility Commitment.

#### 6.17 Company Real Property.

(a) Section 6.17(a) of the Company Disclosure Letter sets forth the address of all real property that is Company Owned Real Property the loss of which would be material and adverse to the business of the Company and its Subsidiaries. The Company has, in all material respects, good and valid and marketable title to all of the Company Owned Real Property identified on such Section of the Company Disclosure Letter, free and clear of all encumbrances other than Permitted Encumbrances. Except as set forth on Section 6.17(a) of the Company Disclosure Letter, none of the Company or the Company Subsidiaries has leased or otherwise granted any third party any right to use or occupy any of the Company Owned Real Property identified on such Section of the Company Disclosure Letter; and except as set forth on Section 6.17(a) of the Company Disclosure Letter, there are no outstanding options, rights of refusal, rights of first offer or rights of reverter or other third party rights in Company Owned Real Property identified on such Section of the Company Disclosure Letter.

(b) Except as set forth on Section 6.17(b) of the Company Disclosure Letter, with respect to leases and subleases of real property to which the Company or its Subsidiaries is a party, (i) each is enforceable in accordance with its terms, subject to bankruptcy, insolvency and other similar Laws affecting the rights of creditors generally and subject to the exercise of judicial discretion in accordance with principles of equity, (ii) there is no material default or material breach of a covenant by the Company or any Company Subsidiaries, (iii) no event has occurred which with or without the giving of notice or lapse of time, or both, would constitute such a material default or material breach and (iv) there has been no collateral assignment or other security interest and they are not subject to any encumbrance other than Permitted Encumbrances.

6.18 Opinion of Company Financial Advisor. The Company has received the written opinion of Deutsche Bank Securities Inc., to the effect that, as of the date thereof, and based upon and subject to the matters set forth therein, the Aggregate Merger Consideration to be delivered by the Company in respect of the Spinco Common Stock pursuant to the Merger Agreement is fair, from a financial point of view, to the Company and the holders of Company Common Stock. The Company has previously delivered a copy of such opinion to Verizon.

6.19 Brokers or Finders. Except with respect to the Persons set forth in Section 6.19 of the Company Disclosure Letter, no agent, broker, investment banker, financial advisor or other similar Person is or will be entitled, by reason of any agreement, act or statement by the Company, or any of the Company Subsidiaries, directors, officers or employees, to any financial advisory, broker's, finder's or similar fee or commission, to reimbursement of expenses or to indemnification or contribution in connection with any of the transactions contemplated by this Agreement or any other Transaction Agreement. The material terms of the engagement letters between each of the Company's financial advisors and the Company have been provided to Verizon.

6.20 Takeover Statutes. Other than Section 203 of the DGCL, no "fair price," "moratorium," "control share acquisition," "business combination," "stockholder protection" or other similar anti-takeover statute or regulation enacted under Delaware law, or, to the Company's Knowledge, under the law of any other jurisdiction, will apply to this Agreement, the Merger or the transactions contemplated hereby or thereby. The action of the Board of Directors of the Company in approving this Agreement and the transactions provided for herein is sufficient to render inapplicable to this Agreement, the Merger and the transactions contemplated hereby or thereby and the transactions provided for herein, the restrictions on "business combinations" (as defined in Section 203 of the DGCL) as set forth in Section 203 of the DGCL.

6.21 Certain Board Findings. The Board of Directors of the Company, at a meeting duly called and held, (i) has determined that this Agreement and the transactions contemplated hereby, including the Merger, and the issuance of shares of Company Common Stock pursuant to the Merger, are advisable, fair to and in the best interests of the Company and the stockholders of the Company, (ii) approved this Agreement and the transactions contemplated hereby, including the Merger and (iii) has resolved to recommend that the stockholders of the Company entitled to vote thereon adopt this Agreement at the Company Stockholders Meeting.

6.22 Vote Required. The only vote of the stockholders of the Company required under the DGCL, the NYSE rules or the Company's certificate of incorporation for adoption of this Agreement and the approval of the transactions contemplated hereby, is the affirmative vote of the holders of a majority in voting power of all outstanding shares of Company Common Stock at the Company Stockholders Meeting (sometimes referred to herein as the "Requisite Approval").

6.23 Affiliate Transactions. Except as specifically provided in this Agreement or any of the other Transaction Agreements or as disclosed in the Company SEC Reports, there are no transactions or Contracts of the type required to be disclosed by the Company under Item 404 of Regulation S-K between or among (a) the Company or any Company Subsidiary, on the one hand, and (b) any individual who is a “named executive officer” or director of the Company (as such term is defined in Section 402 of Regulation S-K), on the other hand.

## ARTICLE VII

### COVENANTS AND AGREEMENTS

7.1 Conduct of Business by the Company Pending the Merger. Following the date of this Agreement and prior to the earlier of the Effective Time and the date on which this Agreement is terminated pursuant to Section 9.1, except as may be consented to in writing by Verizon (which consent shall not be unreasonably withheld, conditioned or delayed) or as expressly contemplated by a Transaction Agreement or as set forth in Section 7.1 of the Company Disclosure Letter, the Company covenants and agrees that each of the Company and the Company Subsidiaries shall conduct its operations in accordance with its ordinary course of business, consistent with past practice and in compliance with all Laws applicable to it or to the conduct of its business, and use all commercially reasonable efforts to preserve intact its present business organization, maintain rights and franchises, keep available the services of its current officers and key employees and preserve its relationships with customers and vendors in such a manner that its goodwill and ongoing businesses would not reasonably be anticipated to be impaired in any material respect. Following the date of this Agreement and prior to the earlier of the Effective Time and the date on which this Agreement is terminated pursuant to Section 9.1 (and notwithstanding the immediately preceding sentence) except (i) as may be required by Law, (ii) as may be consented to in writing by Verizon (which consent shall not be unreasonably withheld, conditioned or delayed, except in the case of clauses (a), (b), (d), (e), (f), (h), (n), (p) and, in respect of the foregoing clauses, (q) of this Section 7.1, with respect to which such consent may be withheld in Verizon’s sole discretion), (iii) as may be expressly contemplated by this Agreement or the other Transaction Agreements, or (iv) as set forth in Section 7.1 of the Company Disclosure Letter, the Company shall not, nor shall it permit any of the Company Subsidiaries to:

(a) (i) declare or pay any dividends on or make other distributions in respect of any shares of its capital stock or partnership interests (whether in cash, securities or property), except for the declaration and payment of cash dividends or distributions paid on or with respect to a class of capital stock all of which shares of capital stock, as the case may be, of the applicable corporation are owned directly or indirectly by the Company and the payment of regular quarterly dividends each in an amount not to exceed \$0.39781 per share at times consistent with the dividend payment practices of the Company in 2006 (including a final

partial regular quarterly dividend to the extent permitted pursuant to the Company Credit Agreement and paid from existing funds or existing borrowing capacity, to be declared and paid to pre-Closing Company stockholders, pro rated for the number of days elapsed between (x) the beginning of the quarterly period in which the Effective Time occurs and (y) the day immediately preceding the Effective Time); (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock; or (iii) redeem, repurchase or otherwise acquire, or permit any Subsidiary to redeem, repurchase or otherwise acquire, any shares of its capital stock (including any securities convertible or exchangeable into such capital stock), except pursuant to the terms of the securities outstanding on the date hereof or pursuant to the existing terms of a Company Benefit Plan;

(b) issue, deliver or sell, or authorize any shares of its capital stock of any class, any Company Voting Debt or any securities convertible into, or any rights, warrants or options to acquire, any such shares or other Company Voting Debt or convertible securities, other than (i) the issuance of shares of Company Common Stock upon the exercise of stock options or the vesting of restricted stock units or restricted stock that are outstanding on the date hereof pursuant to the Company Benefit Plans; (ii) issuances by a wholly owned Subsidiary of the Company of its capital stock to such Subsidiary's parent or another wholly owned Subsidiary of the Company; and (iii) the granting of full fair market value stock options, or the granting of restricted stock units or restricted units in the ordinary course of business, consistent with the Company's past practices, provided that, in no event shall the vesting and exercisability of any such newly granted option, restricted stock unit or restricted unit accelerate or shall any additional rights be conveyed, on account of the transactions contemplated hereby;

(c) amend the Company's certificate of incorporation or bylaws, or amend any Company Subsidiary's certificate of incorporation or bylaws (or other similar organizational documents);

(d) acquire or agree to acquire by merger or consolidation, or by purchasing a substantial or controlling equity interest in, or the assets of, or by any other manner, any business or any corporation, partnership, limited liability entity, joint venture, association or other business organization or division or business unit thereof or otherwise acquire or agree to acquire any material assets (other than the acquisition of equipment and other assets used in the operations of the existing business of the Company and the Company Subsidiaries in the ordinary course consistent with past practice), but in all cases excluding any acquisition of equity or assets that constitute a business unit, division or all or substantially all of the assets of the transferor;



(e) sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, or agree to sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, any of its assets (including capital stock of Subsidiaries of the Company but excluding (i) surplus real property not used in telephone operations, (ii) inventory and obsolete equipment, in each case, in the ordinary course of business consistent with past practice and (iii) any Lien required to be created pursuant to the Company Credit Agreement or any facility entered into pursuant to the Backstop Facility Commitment);

(f) incur any indebtedness for borrowed money or guarantee or otherwise become contingently liable for any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of the Company or any of its Subsidiaries or guarantee any debt securities of others or enter into any material Lease (whether such Lease is an operating or capital Lease) or enter into any interest rate hedge, other than the incurrence of additional indebtedness (i) under the Company Credit Agreement or any facility entered into pursuant to the Backstop Facility Commitment (x) in 2007 in an amount not to exceed \$50 million (beyond amounts outstanding under the Company Credit Agreement as of January 1, 2007 and net of any prepayments or repayments effected during 2007) and (y) in 2008 in an amount not to exceed an additional \$50 million (beyond amounts outstanding under the Company Credit Agreement (or any facility entered into pursuant to the Backstop Facility Commitment) as of December 31, 2007 and net of any prepayments or repayments effected during 2008), (ii) pursuant to any customer Contract, vendor Contract or real property Lease entered into in the ordinary course of business consistent with past practice and (iii) in connection with equipment leasing in the ordinary course of business consistent with past practice;

(g) except in the ordinary course of business, consistent with past practice, and except for Qualified Transition Expenses, incur or commit to any individual capital expenditure or any obligation or liability in connection with any capital expenditure in excess of \$2,000,000 or incur or commit to aggregate capital expenditures or obligations or liabilities in connection with any capital expenditure in excess of \$4,000,000, in each case, other than capital expenditures or obligations or liabilities in connection therewith to repair or replace facilities destroyed or damaged due to casualty or accident (whether or not covered by insurance), or as contemplated by the Company's 2007 capital expenditure budget, which is set forth in Section 7.1(g) of the Company Disclosure Letter, or the 2008 capital expenditure budget, to the extent it is substantially similar in all material respects to the 2007 capital expenditure budget or is approved by Verizon (such approval not to be unreasonably withheld or delayed), provided that this Section 7.1(g) shall not permit any action otherwise prohibited by Section 7.1(d);

(h) (i) other than in the ordinary course of business, consistent with past practice in 2006, grant any increases in the compensation of any of its directors, officers or employees, provided that such increase shall not exceed 4% in the aggregate for all such persons (as compared to levels and amounts as of January 1, 2007); (ii) pay or agree to pay to any director, officer or employee, whether past or present, any pension, retirement allowance or other employee benefit not required or contemplated by any of the existing benefit, severance, termination, pension or employment plans, Contracts or arrangements as in effect on the date hereof; (iii) enter into any new, or materially amend any existing, employment or severance or termination, Contract with any director, officer or employee; (iv) accelerate the vesting of, or the lapsing of restrictions with respect to, any stock options or other stock-based compensation; or (v) become obligated under any new pension plan, welfare plan, multiemployer plan, employee benefit plan, severance plan, benefit arrangement or similar plan or arrangement that was not in existence on the date hereof, or amend any such plan or arrangement in existence on the date hereof if such amendment would have the effect of materially enhancing any benefits thereunder;

(i) establish, adopt, enter into, terminate or amend any collective bargaining agreement, plan, trust, fund, policy or arrangement for the benefit of any current or former directors, officers, employees or any of their beneficiaries, except as contemplated by the Employee Matters Agreement, as is necessary to comply with applicable law, or, in each case, as would not result in a material increase in the cost of maintaining such collective bargaining agreement, plan, trust, fund, policy or arrangement;

(j) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of the Company or any of the Company Subsidiaries;

(k) make any material change in its methods of accounting in effect at September 30, 2006 or change its fiscal year except for changes required by a change in GAAP or required by the auditors of the Company and the Company Subsidiaries;

(l) enter into or amend any agreement or arrangement with any Affiliate of the Company or any Company Subsidiary, other than with wholly owned Company Subsidiaries, on terms less favorable to the Company or such Company Subsidiary, as the case may be, than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's-length basis;

(m) except in the ordinary course of business, consistent with past practice, or as required by law, modify, amend, terminate, renew or fail to use commercially reasonable efforts to renew any Company Material Contract to

which the Company or any of the Company Subsidiaries is a party or waive, release or assign any material rights or claims thereunder or enter into any Company Material Contract not in the ordinary course of business consistent with past practice;

(n) except as would not be expected to materially and adversely affect the Company or any of its Affiliates or the Surviving Corporation on a going-forward basis after the Effective Time, (i) make or rescind any material express or deemed election relating to Taxes, including elections for any and all joint ventures, partnerships, limited liability companies or other investments where the Company has the capacity to make such binding election, (ii) settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, (iii) amend any material Tax Returns or (iv) change in any material respect any of its methods of reporting income or deductions for federal income tax purposes from those expected to be employed in the preparation of its federal income tax return for the taxable year ending December 31, 2006 (unless such change is required by Law); provided, however, that the Company may make or rescind any such election, settle or compromise any such claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy, change any such method of reporting or amend any such Tax Return without Verizon's and Spinco's prior written consent if the amount of Tax liabilities or other Tax detriments relating to such action does not exceed \$10,000,000;

(o) except in the ordinary course of business, consistent with past practice, pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction (which includes the payment of final and unappealable judgments) or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of the Company included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, or incurred in the ordinary course of business since the date of such financial statements;

(p) amend or waive the performance of any provision of the Termination Agreement, the Commitment Letter or the Backstop Facility Commitment; or

(q) agree or commit to do any of the foregoing actions.

7.2 Conduct of Spinco Business Pending the Merger. Following the date of this Agreement and prior to the earlier of the Effective Time and the date on which this Agreement is terminated pursuant to Section 9.1, except as may be consented to in

writing by the Company or as expressly contemplated by a Transaction Agreement or as set forth in Section 7.2 of the Spinco Disclosure Letter, Verizon and Spinco jointly and severally covenant and agree that Verizon and the Contributing Companies (in regard to the Spinco Business only) and each of Spinco and the Spinco Subsidiaries shall conduct its operations in accordance with its ordinary course of business, consistent with past practice and in compliance with all Laws applicable to it or to the conduct of its business, and use all commercially reasonable efforts to preserve intact its present business organization, maintain rights and franchises, keep available the services of its key employees and preserve its relationships with customers and vendors in such a manner that its goodwill and ongoing businesses would not reasonably be anticipated to be impaired in any material respect. Following the date of this Agreement and prior to the earlier of the Effective Time and the date on which this Agreement is terminated pursuant to Section 9.1 (and notwithstanding the immediately preceding sentence) except (i) as may be required by Law, (ii) as may be consented to in writing by the Company (which consent shall not be unreasonably withheld, conditioned or delayed), (iii) as may be expressly contemplated by this Agreement or the other Transaction Agreements, (iv) as required to permit the ordinary course operation of Verizon's cash management system prior to the Effective Time, including any distributions of cash in connection therewith, or (v) as set forth in Section 7.2 of the Spinco Disclosure Letter, Spinco shall not, nor shall Verizon and Spinco permit any of the Spinco Subsidiaries or, to the extent applicable, any of the Contributing Companies with respect to the Spinco Business to:

(a) issue, deliver or sell, or authorize any shares of Spinco's capital stock or capital stock of any Spinco Subsidiary of any class, or any rights, warrants or options to acquire, any such shares, convertible securities including additional options or other equity-based awards that could be converted into any option to acquire Spinco Common Stock or the capital stock of any Spinco Subsidiary pursuant to the Employee Matters Agreement or otherwise, other than (i) pursuant to this Agreement, pursuant to the Distribution Agreement or required in connection with the Contribution and (ii) issuances by a wholly owned Subsidiary of Spinco of its capital stock to such Subsidiary's parent or another wholly owned Subsidiary of Spinco;

(b) adopt any provision of, or otherwise amend, the certificate of incorporation or bylaws (or other similar organizational documents) of Spinco or any Spinco Subsidiary in any manner that would prevent or materially impair or delay the consummation of the transactions contemplated by this Agreement;

(c) acquire or agree to acquire by merger or consolidation, or by purchasing a substantial or controlling equity interest in or the assets of, or by any other manner, any business or any corporation, partnership, limited liability entity, joint venture, association or other business organization or division thereof or otherwise acquire or agree to acquire any material assets (excluding the

acquisition of equipment and other assets used in the operations of the Spinco Business in the ordinary course consistent with past practice), but in all cases excluding any acquisition of equity or assets that constitute a business unit, division or all or substantially all of the assets of the transferor;

(d) sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, or agree to sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, any of the assets that would constitute Spinco Assets as of the Distribution Date (including capital stock of Spinco Subsidiaries but excluding (i) surplus real property not used in telephone operations and (ii) inventory and obsolete equipment, in each case, in the ordinary course of business consistent with past practice);

(e) incur any indebtedness for borrowed money or guarantee or otherwise become contingently liable for any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of Spinco or any of its Subsidiaries or guarantee any debt securities of others or enter into any material Lease (whether such Lease is an operating or capital Lease) in each case to any third Person, other than (i) the incurrence of additional indebtedness to fund ordinary course capital requirements of Spinco and the Spinco Subsidiaries, (ii) pursuant to any customer Contract, vendor Contract or real property Lease entered into in the ordinary course of business consistent with past practice, (iii) in connection with equipment leasing in the ordinary course of business, consistent with past practice and (iv) as contemplated by the New Financing, the Spinco Securities or the Distribution Agreement or required in connection with the Contribution;

(f) except in the ordinary course of business, consistent with past practice, incur or commit to any individual capital expenditure or any obligation or liability in connection with any capital expenditure, or incur or commit to aggregate capital expenditures or obligations or liabilities in connection with any capital expenditure, in each case, other than capital expenditures or obligations or liabilities in connection therewith to repair or replace facilities destroyed or damaged due to casualty or accident (whether or not covered by insurance), or as contemplated by the 2007 capital expenditure budget of Verizon for the Spinco Business, which is set forth in Section 7.2(f) of the Spinco Disclosure Letter, or the 2008 capital expenditure budget, to the extent it is substantially similar in all material respects to the 2007 capital expenditure budget (except as set forth in Section 7.2(f) of the Spinco Disclosure Letter) or is approved by the Company, provided that this Section 7.2(f) shall not permit any action otherwise prohibited by Section 7.2(c);

(g) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of Spinco or any of its Subsidiaries;

(h) (i) other than in the ordinary course of business, consistent with past practice in 2006, grant any material increases in the compensation of any of its directors, officers or employees, provided that such increase shall not exceed 4% in the aggregate for all such persons (as compared to the levels and amounts as of January 1, 2007); (ii) pay or agree to pay to any director, officer or employee, whether past or present, any pension, retirement allowance or other employee benefit not required or contemplated by any of the existing benefit, severance, termination, pension or employment plans, Contracts or arrangements as in effect on the date hereof; (iii) enter into any new, or materially amend any existing, employment or severance or termination, Contract with any director, officer or employee; (iv) accelerate the vesting of, or the lapsing of restrictions with respect to, any stock options or other stock-based compensation; or (v) become obligated under any new pension plan, welfare plan, multiemployer plan, employee benefit plan, severance plan, benefit arrangement or similar plan or arrangement that was not in existence on the date hereof, or amend any such plan or arrangement in existence on the date hereof if such amendment would have the effect of materially enhancing any benefits thereunder, except, in the case of the foregoing clauses (i) through (v), to the extent Verizon or the Verizon Subsidiaries retain any liability in respect of such action (any such retained liability to be deemed a Verizon Liability (as defined in the Distribution Agreement));

(i) establish, adopt, enter into, terminate or amend any collective bargaining agreement, plan, trust, fund, policy or arrangement for the benefit of any current or former directors, officers, employees or any of their beneficiaries, except as contemplated by the Employee Matters Agreement, as is necessary to comply with applicable Law, or, in the aggregate, in the ordinary course of business consistent with past practice;

(j) make any material change in Verizon's methods of accounting with respect to the Spinco Business in effect at the Interim Balance Sheet Date except for changes required by a change in GAAP or required by the auditors of Verizon and the Verizon Subsidiaries;

(k) except as would not be expected to materially and adversely affect Spinco or any of its Subsidiaries or the Spinco Business, or the Surviving Corporation on a going-forward basis after the Effective Time, (i) make or rescind any material express or deemed election relating to Taxes of Spinco or any of its Subsidiaries or the Spinco Business, including elections for any and all joint ventures, partnerships, limited liability companies or other investments where

Verizon or Spinco has the capacity to make such binding election (other than any election necessary in order to obtain the IRS Ruling and/or the Distribution Tax Opinion), (ii) settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes of Spinco or any of its Subsidiaries or the Spinco Business, (iii) amend any material Tax Returns of Spinco or any of its Subsidiaries or relating to the Spinco Business or (iv) change in any material respect any method of reporting income or deductions of Spinco or any of its Subsidiaries or the Spinco Business for federal income tax purposes from those expected to be employed in the preparation of its federal income tax return for the taxable year ending December 31, 2006 (unless such change is required by Law), provided, however, that Spinco may make or rescind any such election, settle or compromise any such claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy, change any such method of reporting or amend any such Tax Return without the Company's prior written consent if the amount of Tax liabilities or other Tax detriments relating to such action does not exceed \$15,000,000;

(l) pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business, consistent with past practice (which includes the payment of final and unappealable judgments) or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the Interim Financial Statements (or the notes thereto) of Spinco included in the Spinco Financial Statements, or incurred in the ordinary course of business since the date of such financial statements;

(m) enter into or amend any agreement or arrangement relating to the Spinco Business that would constitute a Transferred Affiliate Arrangement and which constitutes a Spinco Asset or Spinco Liability (as defined in the Distribution Agreement) with any Affiliate of Verizon or any Verizon Subsidiary (other than Spinco or a Spinco Subsidiary), on terms less favorable to Spinco or such Spinco Subsidiary, as the case may be, than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's-length basis;

(n) except in the ordinary course of business consistent with past practice, or as required by Law, modify, amend, terminate, renew or fail to use commercially reasonable efforts to renew any Spinco Material Contract or waive, release or assign any material rights or claims thereunder or enter into any Spinco Material Contract not in the ordinary course of business consistent with past practice;

(o) amend the Distribution Agreement without the consent of the Company; or

(p) agree to commit to take any of the foregoing actions.

7.3 Proxy Statement/Prospectus; Registration Statements.

(a) As promptly as practicable following the date hereof, the Company, Verizon and Spinco shall prepare, and (as promptly as practicable following the Company's receipt from Verizon of the 2006 Financial Statements as contemplated by Section 7.18) the Company shall file with the SEC, the Company Registration Statement, including the Proxy Statement/Prospectus with respect to the transactions contemplated by this Agreement, and the Company shall use its commercially reasonable efforts to have such Proxy Statement/Prospectus cleared by the SEC under the Exchange Act and the Company Registration Statement declared effective by the SEC under the Securities Act, as promptly as practicable after such filings or at such other time as Verizon, Spinco and the Company may agree; and

(b) As promptly as practicable following the mailing of the Proxy Statement/Prospectus by the Company, if required by the SEC and/or the Securities Act, Verizon, Spinco and the Company shall prepare, and Spinco shall file with the SEC, the Spinco Registration Statement with respect to the Distribution, and Spinco shall use its commercially reasonable efforts to have such Spinco Registration Statement declared effective by the SEC under the Securities Act prior to the Distribution Date.

(c) The Company shall, as promptly as practicable after receipt thereof, provide to Verizon copies of any written comments and advise Verizon of any oral comments with respect to the Proxy Statement/Prospectus and the Company Registration Statement received from the SEC. Spinco shall, as promptly as practicable after receipt thereof, provide to the Company copies of any written comments and advise the Company of any oral comments with respect to any Spinco Registration Statement received from the SEC.

(d) The Company shall provide Verizon with a reasonable opportunity to review and comment on any amendment or supplement to the Proxy Statement/Prospectus or Company Registration Statement prior to filing the same with the SEC, and with a copy of all such filings made with the SEC. No amendment or supplement to the Proxy Statement/Prospectus or the Company Registration Statement will be made by the Company without the approval of Verizon (such approval not to be unreasonably withheld, conditioned or delayed). The Company will advise Verizon promptly after it receives notice thereof, of the time when the Company Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order, of the suspension of the qualification of the Company Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or of any request by the SEC for amendment of the Proxy Statement/Prospectus or the Company Registration Statement or comments thereon and responses thereto or requests by the SEC for additional information.



(e) Spinco shall provide the Company with a reasonable opportunity to review and comment on any amendment or supplement to any Spinco Registration Statement prior to filing the same with the SEC, and with a copy of all such filings made with the SEC. No amendment or supplement to any Spinco Registration Statement will be made by Spinco without the approval of the Company (such approval not to be unreasonably withheld, conditioned or delayed). Spinco will advise the Company promptly after it receives notice thereof, of the time when any Spinco Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order, of the suspension of the qualification of the Spinco Common Stock issuable in connection with the Distribution for offering or sale in any jurisdiction, or of any request by the SEC for amendment of any Spinco Registration Statement or comments thereon and responses thereto or requests by the SEC for additional information.

(f) As promptly as practicable after the date on which the SEC shall clear (whether orally or in writing) the Proxy Statement/Prospectus and, if required by the SEC as a condition to the mailing of the Proxy Statement/Prospectus, the date on which the Company Registration Statement shall have been declared effective, the Company shall mail, or cause to be mailed, the Proxy Statement/Prospectus to its stockholders.

(g) If, at any time prior to the Effective Time, any event or circumstance should occur that results in the Proxy Statement/Prospectus or one or both of the Registration Statements containing an untrue statement of a material fact or omitting to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, or that otherwise should be described in an amendment or supplement to the Proxy Statement/Prospectus or one or both of the Registration Statements, Verizon and the Company shall promptly notify each other of the occurrence of such event and then the applicable party shall promptly prepare, file and clear with the SEC and, in the case of the Proxy Statement/Prospectus, mail, or cause to be mailed, to the Company's stockholders each such amendment or supplement.

(h) Verizon and Spinco agree to promptly provide the Company with the information concerning Verizon, Spinco and their respective Affiliates required to be included in the Proxy Statement/Prospectus and the Company Registration Statement. In furtherance of the foregoing, Verizon and Spinco shall use all commercially reasonable efforts to, or shall use all commercially reasonable efforts to cause its representatives to, furnish as promptly as practicable to the Company such additional financial and operating data and other information as to the Spinco Business as the Company may require to complete the Proxy Statement/Prospectus and the Company Registration Statement in accordance with the Exchange Act (including any financial statements required to be included therein).

(i) The Company agrees to promptly provide Spinco with the information concerning the Company and its Affiliates required to be included in any Spinco

Registration Statement. In furtherance of the foregoing, the Company shall use all commercially reasonable efforts to, or shall use all commercially reasonable efforts to cause its representatives to, furnish as promptly as practicable to Spinco such additional financial and operating data and other information as to the business of the Company as Spinco may require to complete any Spinco Registration Statement in accordance with the Securities Act (including any financial statements required to be included therein).

7.4 Stockholders Meeting.

(a) As promptly as practicable following the date hereof and the date on which the SEC shall clear (whether orally or in writing) the Proxy Statement/Prospectus and, if required by the SEC as a condition to the mailing of the Proxy Statement/Prospectus, the Company Registration Statement shall have been declared effective, the Company shall call a special meeting of its stockholders (the “Company Stockholders Meeting”) to be held as promptly as practicable for the purpose of voting upon (i) the adoption of this Agreement, (ii) the issuance of shares of Company Common Stock pursuant to the Merger and (iii) the matters to be considered by the Company’s stockholders at the 2007 annual meeting of the Company set forth in Section 7.4(a) of the Company Disclosure Letter if the Company elects to combine the special meeting with such annual meeting. This Agreement shall be submitted for adoption to the stockholders of the Company at such special meeting. The Company shall deliver, or cause to be delivered, to the Company’s stockholders the Proxy Statement/Prospectus in definitive form in connection with the Company Stockholders Meeting at the time and in the manner provided by the applicable provisions of the DGCL, the Exchange Act and the Company’s certificate of incorporation and bylaws and shall conduct the Company Stockholders Meeting and the solicitation of proxies in connection therewith in compliance with such statutes, certificate of incorporation and bylaws.

(b) Subject to Section 7.11(c), the Board of Directors of the Company shall recommend that the Company’s stockholders adopt this Agreement, and such recommendation shall be set forth in the Proxy Statement/Prospectus. Unless and until this Agreement shall have been terminated in accordance with its terms, the Company shall comply with its obligations under Section 7.4(a) whether or not its Board of Directors withdraws, modifies or changes its recommendation regarding this Agreement or recommends any other offer or proposal.

7.5 Efforts to Close. Subject to the terms and conditions of the applicable Transaction Agreement, each of the parties hereto agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective in accordance with the terms of the Transaction Agreements the transactions contemplated by the Transaction Agreements, including executing such documents, instruments or conveyances of any kind that may be reasonably necessary or advisable on the terms set forth herein to carry out any of the transactions contemplated by the Transaction Agreements; provided, that

such additional documents, instruments and conveyances shall not (w) provide for additional representations or warranties, (x) impose additional obligations or liabilities on any party, (y) delay the consummation of the transactions contemplated by this Agreement or (z) be inconsistent with the express terms of any Transaction Agreement.

7.6 Regulatory Matters.

(a) Subject to the terms and conditions set forth in this Agreement, each of Verizon, Spinco and the Company shall use all commercially reasonable efforts (subject to, and in accordance with, applicable Law) to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the Merger and the other transactions contemplated by this Agreement, including (i) the obtaining of all necessary actions or notations, waivers, consents and approvals, including the Company Approvals and the Verizon Approvals, from any Governmental Authority and the making of all necessary registrations and filings and the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Authority, and (ii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated by this Agreement.

(b) Within 30 days after the date hereof, the Company shall deliver to Verizon a list, determined in good faith, of the State Regulators other than those in Maine, Vermont and New Hampshire with respect to which the Company believes an application is required to obtain such regulator's consent to effect the transfer of control of the Spinco Business and to cause such authorities to permit consummation of the transactions contemplated hereby or by the Distribution Agreement. Such list shall not name any jurisdiction other than those specified in Section 7.6(b) of the Company Disclosure Letter. Within 15 days of Verizon's receipt of such list from the Company, Verizon shall deliver to the Company a list, determined in good faith, of any additional State Regulators with respect to which Verizon believes the foregoing criteria are met. Such list shall not name any jurisdiction other than those specified in Section 7.6(b) of the Company Disclosure Letter. Any jurisdiction appearing on either of the lists provided by the Company and Verizon shall be a jurisdiction in which the parties shall make the applicable regulatory filing pursuant to Section 7.6(c)(iii) (such filings, the "Other PUC Applications").

(c) Subject to the terms and conditions herein provided and without limiting the foregoing, each of Verizon, Spinco and the Company shall (i) within 120 days after the date hereof make their respective filings and thereafter make any other required submissions under the HSR Act, (ii) promptly (but in no event later than 30 days after the date hereof) file all applications requiring prior approval or other submissions required to be filed with (x) the FCC (the "FCC Applications"), except those submissions addressed

in paragraphs 7.6(e), (f) and (g), below, which shall be made as set forth in those paragraphs, and except those applications that may be filed with the FCC for “immediate approval” under 47 C.F.R. Section 1.948(j)(2) or for approval that permits operation upon application under 47 C.F.R. Section 90.159(c), and (y) State Regulators in the states of Maine, Vermont and New Hampshire (the “Territory PUC Applications”), to effect the transfer of control of the Spinco Business, any federal and state approvals in the states of Maine, Vermont and New Hampshire pertaining to asset transfers or changes in control, and to cause such authorities to permit consummation of each of the transactions contemplated hereby or by the Distribution Agreement and respond as promptly as practicable to any additional requests for information received from the FCC or any State Regulator by any party to a FCC Application or a Territory PUC Application, (iii) as promptly as practicable after the determination of the Other PUC Applications in accordance with Section 7.6(b) (but in no event later than 60 days after the date hereof), file all Other PUC Applications with the applicable State Regulators and respond as promptly as practicable to any additional requests for information received from any State Regulator by any party to an Other PUC Application (the consent of such State Regulators and the consents referred to in clause (ii) of this Section 7.6(c) the “Telecommunications Regulatory Consents”), (iv) use all commercially reasonable efforts to cure not later than the Effective Time any violations or defaults under any FCC Rules or rules of any State Regulator, (v) use all commercially reasonable efforts to cooperate with each other in (x) determining whether any filings are required to be made with, or consents, permits, authorizations or approvals are required to be obtained from any other Governmental Authorities in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (y) timely making all such filings and timely seeking all such consents, permits, authorizations or approvals, (vi) use all commercially reasonable efforts to take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective the transactions contemplated hereby all such further action as reasonably may be necessary to obtain all regulatory consents in respect of telecommunications matters and to resolve such objections, if any, as the HSR Agencies, state antitrust enforcement authorities or competition authorities of any other nation or other jurisdiction or any other Person may assert under relevant antitrust or competition laws with respect to the transactions contemplated hereby; and (vii) subject to applicable legal limitations and the instructions of any Governmental Authority, keep each other apprised of the status of matters relating to the completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by the Company, Verizon or Spinco, as the case may be, or any of their respective Subsidiaries, from any third party and/or any Governmental Authority with respect to such transactions.

(d) In furtherance and not in limitation of the covenants of the parties contained in this Section 7.6, if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted)

challenging any transaction contemplated by this Agreement or the Transaction Agreements as violative of any Regulatory Law or otherwise, each of the Company, Verizon and Spinco shall cooperate in all respects with each other and use all commercially reasonable efforts to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions contemplated by this Agreement, provided that the foregoing obligations shall not apply to a final order of a State Regulator in the States of Vermont, New Hampshire or Maine. None of Verizon, Spinco or the Company shall settle any such action, suit or proceeding or fail to perfect on a timely basis any right to appeal any judgment rendered or order entered against such party therein without having previously consulted with the other parties. Notwithstanding the foregoing or any other provision of this Agreement, nothing in this Section 7.6 shall limit a party's right to terminate this Agreement pursuant to Section 9.1(b) or 9.1(c) so long as such party has, prior to such termination, complied with its obligations under this Section 7.6.

(e) If any objections are asserted with respect to the transactions contemplated hereby or the Transaction Agreements under any Regulatory Law or if any suit is instituted by any Governmental Authority or any private party recommending or seeking to deny the granting of any Telecommunications Regulatory Consent or challenging any of the transactions contemplated hereby as violative of any Regulatory Law or otherwise, each of the Company, Verizon and Spinco shall use all commercially reasonable efforts to resolve any such objections or challenge as such Governmental Authority or private party may have to such transactions under such Regulatory Law so as to permit consummation of the transactions contemplated by the Transaction Agreements. For purposes of this Agreement, "Regulatory Law" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, the Communications Act and all other federal, state or foreign, if any, statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that relate to the granting of regulatory consents in respect of telecommunications matters or are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition, whether in the communications industry or otherwise through merger or acquisition. The Company and not Verizon will make all required filings, as may be required under applicable law, with the FCC and the State Regulators relating to transfers of customers and compliance with carrier change authorization, notification and verification rules.

(f) To the extent necessary to comply with state laws, regulations and FCC Rules including those prohibiting "slamming" as set forth in 47 C.F.R. Section 64.1120, at least 60 days prior to Closing Date as reasonably anticipated by any party, (i) the Company shall, at its own expense, prepare and deliver to Verizon a draft notice providing the information required by 47 C.F.R. Section 64.1120(e) addressed to the

telecommunications customers of Spinco and the Spinco Subsidiaries, after giving effect to the Contribution, it being understood that Verizon shall have the opportunity to review and comment on the contents of such notice; and (ii) Verizon shall, at the Company's cost and expense (which shall be a reimbursement of Verizon's fully allocated cost), cause such notice to be delivered to such customers at least 30 days before the Closing Date as reasonably anticipated by any party by a direct mailing or in accordance with such method of notice and notification period that the FCC or State Regulators may order or require. For the avoidance of doubt, the Company and not Verizon, will be primarily responsible for making all required filings with the FCC and the State Regulators relating to transfers of customers and compliance with carrier change authorization, notification and verification rules. Verizon and/or Spinco will be responsible for preparing, distributing, and filing (at Spinco's expense) any notices relating to "discontinuance, reduction, or impairment" of service to the customers of Spinco and the Spinco Subsidiaries after giving effect to the Contribution required by 47 C.F.R. Sections 63.19 and 63.71.

(g) At or prior to the Effective Time, the Company, at its own expense, shall adopt (to the extent permitted by State Regulators) the tariffs, price lists, schedules of rates, or other statements of terms and conditions, including, without limitation, special customer arrangements, special assemblies, price flex arrangements, and individual customer based arrangements of Verizon New England and Verizon Select Services Inc. for telecommunications services, which are applicable in whole or in part in Maine, New Hampshire, or Vermont, are effective under applicable laws and regulations, and are in effect immediately prior to the Effective Time (collectively, the "Tariffs"). The Company shall maintain the Tariffs in effect at least until the end of the service term specified in (i) the Tariffs (to the extent permitted by State Regulators), (ii) agreements implementing such Tariffs with customers served by Verizon Affiliates under retained Blended Customer Contracts identified in Section 1.1(a) of the Disclosure Letter to the Distribution Agreement and the agreements of customers who do not provide Verizon Third Party Consents under this Agreement (each a "Specified Contract") and (iii) agreements implementing such Tariffs with Persons who are Affiliates of Verizon New England on or before the Closing Date, and any optional renewal term exercisable by customers which are party to a Specified Contract or such Affiliates in such agreements or Tariffs. The Company further agrees that, to the extent such Tariffs or agreements implementing such Tariffs contain rates and charges or other terms and conditions based on volume of service, amount of purchase or spend, or similar volume commitments by the customers which are party to a Specified Contract or such Affiliates (the "Volume Commitments"), the Company will reduce such Volume Commitments pro-rata, without a change in rates and charges or other terms and conditions under such Tariffs or agreements, to reflect the fact that the customers which are party to a Specified Contract or such Affiliates may, after Closing, take service from Verizon New England and the Company and not from Verizon New England or the Company alone. The pro-rata reduction shall be equal to or exceed the amount of the Volume Commitment provided by

Verizon New England after Closing. By way of example, and not by limitation, if after Closing, such Affiliate purchased 75% of a Volume Commitment from Company and 25% of a Volume Commitment from Verizon New England, then Company would reduce the Volume Commitment by 25% in affected Tariffs and agreements implementing such Tariffs. At its own expense, the Company shall make all filings and take all other actions as may be required by applicable laws and regulations to make the Tariffs and pro-rata reductions of Volume Commitments adopted or made by the Company under this Section 7.6(g) legally effective not later than the Effective Time. If the applicable State Regulators do not permit, in whole or in part, the adoption of such Tariffs by the Company or the maintenance of such Tariffs during the service terms described above in this Section 7.6(g), then from and after the Effective Time and through the date on which the Company would no longer have been required under this Section 7.6(g) to maintain the applicable Tariffs had such State Regulators permitted their adoption, the Company will provide service terms, rates and services equivalent to the Tariffs, including reductions in Volume Commitments, by means and methods acceptable to the applicable State Regulators.

(h) Effective no later than the Effective Time, Verizon shall cause Verizon New England to relinquish voluntarily any certificate of public good or any other equivalent franchise or authorization under Law, including prior Law, to provide ILEC regulated intrastate services, which it possesses in Maine, New Hampshire and Vermont and to have obtained the approvals of the applicable public utility commissions in Maine, New Hampshire, and Vermont for the revocation, termination or transfer to ILEC Spinco Subsidiary of such authorizations and franchises and for its abandonment and discontinuance of all ILEC regulated intrastate services subject to the jurisdiction of such commissions. Promptly after the Effective Time, but in no event later than 30 days thereafter, Verizon New England shall file to withdraw its intrastate tariffs or schedules of rates, terms and conditions for ILEC regulated intrastate services.

7.7 Employee Matters. Throughout the internal restructurings and merger taken in contemplation of this Agreement, including the Internal Spinoffs and Internal Restructurings, the Contribution, Distribution, and the Merger, the Spinco Employees shall maintain uninterrupted continuity of employment, compensation and benefits, and, also for union-represented employees, uninterrupted continuity of representation for purposes of collective bargaining and uninterrupted continuity of coverage under their collective bargaining agreements, in each case as contemplated by and described in the Employee Matters Agreement.

7.8 Certain Third Party Consents.

(a) Verizon and Spinco shall use commercially reasonable efforts to identify and obtain prior to the Closing any material Verizon Third Party Consents necessary to be obtained to authorize, approve or permit the consummation of the transactions contemplated by the Distribution Agreement or this Agreement. If such Verizon Third

Party Consents have not been obtained prior to the Closing, Verizon and the Surviving Corporation shall use commercially reasonable efforts thereafter to obtain such Verizon Third Party Consents for a period of six months following the Closing; provided, however, that Verizon and the Company (or, for periods following the Closing, the Surviving Corporation) shall not be required to pay more than \$1,000,000 in the aggregate to obtain all Verizon Third Party Consents sought pursuant to this Section 7.8(a) (inclusive of any amounts paid in respect of Verizon IP Consents as provided in Section 7.8(b) and any costs associated with the separation of any Blended Customer Contract as provided in Section 7.8(e)) with any such payment borne 60% by Verizon and 40% by the Company (on a dollar for dollar basis), provided that such limitation shall not apply to any filing, recordation or similar fees payable to any Governmental Authority, which filing, recordation or similar fees shall be paid by the Company or the Surviving Corporation.

(b) Promptly following the date hereof and, if the Closing occurs, for a period of six months following the Closing Date, Verizon shall use, and shall cause its Affiliates to use, commercially reasonable efforts, in cooperation with the Surviving Corporation, to identify and thereafter obtain Verizon IP Consents. The parties shall bear the costs of obtaining any Verizon IP Consent (collectively, the “Verizon IP Consent Costs”) as provided in Section 7.8(b) of the Verizon Disclosure Letter. For the avoidance of doubt, (i) Verizon IP Consents shall include any authorization, approval, consent, waiver or replacement license of a third Person required to permit the Company and the Subsidiaries, as applicable, to retain rights to any material Network Element Software that is made available to one or more Contributing Companies pursuant to an Excluded Contract and (ii) except to the extent provided otherwise in Section 7.8(b) of the Verizon Disclosure Letter, Verizon IP Consent Costs shall not include the costs attributable to obtaining for the benefit of Surviving Corporation or its Subsidiaries any upgrade or maintenance, support or other service used or useful in the operation of material Network Element Software following the Closing.

(c) Notwithstanding anything to the contrary contained herein, but subject to the obligations set forth in this Section 7.8(c), to the extent any Verizon Third Party Consent or Verizon IP Consent is required in connection with the consummation of the transactions contemplated by the Distribution Agreement or this Agreement and such Verizon Third Party Consent or Verizon IP Consent is not received prior to the Closing, then, (i) if applicable, the Contract that is the subject of such Verizon Third Party Consent shall not be assigned in the Contribution or (ii) if applicable, to the extent any such Contract requiring a Verizon Third Party Consent may only be enjoyed by an Affiliate of Verizon, such Contract shall be transferred to another Affiliate of Verizon, and Verizon agrees to use commercially reasonable efforts to make the benefits of any such Contract available to the Surviving Corporation and its Subsidiaries for a period of one year following the Closing Date, subject to (x) the assumption of all obligations in respect of such Contract by the Surviving Corporation and the Subsidiaries, (y) the



limitations on required payments set forth in Sections 7.8(a) and 7.8(b) and (z) Section 7.8(f).

(d) Verizon shall use its commercially reasonable efforts to deliver to the Company within 60 days of the date hereof (i) a list of all third parties who are counterparties to an Excluded Contract and which Verizon reasonably believes were paid an aggregate of \$100,000 or more in calendar year 2006 by Verizon or its Subsidiaries as indicated in the accounts payable system of Verizon in respect of such Contract and (ii) to the extent not prohibited pursuant to confidentiality obligations contained in any such Contract, either (a) a copy of such Contract (if such Contract is in writing) or (b) a description of the products/services which are the subject of the Contract.

(e) With respect to Blended Customer Contracts, Verizon and the Company will use commercially reasonable efforts to obtain prior to the Closing or, if not obtained, will use commercially reasonable efforts for 180 days following the Closing to obtain from the counterparty to each Blended Customer Contract any needed consent to separate the portion of such Contract that relates to the goods or services purchased from or supplied to the Spinco Business under such Blended Customer Contract, it being agreed that Verizon shall not be required to grant any consideration to any counterparty to such a Blended Customer Contract except to the extent of any consent costs that are included in the amounts for which Verizon is responsible pursuant to Section 7.8(a). The Contract constituting the separated portion of any Blended Customer Contract that relates to the Spinco Business as described in the preceding sentence shall be assumed by and become the responsibility of Spinco (or the Surviving Corporation to the extent it is separated following the Closing).

(f) In the event any customer Contract that would have been assigned in the Contribution as a Spinco Asset but for the failure to obtain a Verizon Third Party Consent is not assigned or any Blended Customer Contract that would have been assumed in part by Spinco pursuant to Section 7.8(e) but for the failure of the counterparty to consent to such assumption is not assumed, then (i) to the extent such Contract involves the provision to the customer thereunder of ILEC services that are a part of the Spinco Business, Verizon shall use the Surviving Corporation and its Subsidiaries succeeding to the Spinco Business to provide such services to such customer subject to the rights, if any, of such customer under such Contract to consent thereto and (ii) to the extent such Contract involves the provision to the customer thereunder of non-ILEC services, Verizon shall continue to provide such services to such customer in accordance with such Contract. With respect to ILEC services delivered by the Surviving Corporation and its Subsidiaries in respect of such Contracts, Verizon shall either (A) remit to the Surviving Corporation amounts received from the applicable customers in accordance with the applicable Tariff (which the Surviving Corporation shall have mirrored in accordance with Section 7.67.6(g)) or, if applicable, in accordance with the last sentence of Section 7.6(g), in each case including as to payment terms or (B) make payment to the Surviving

Corporation in accordance with the terms of the applicable Transferred Affiliate Arrangement, including as to payment terms. With respect to non-ILEC services and ILEC services delivered by Verizon or its Subsidiaries under such Contracts without the assistance of the Surviving Corporation or its Subsidiaries, Verizon shall remit to the Surviving Corporation its net amounts received (after payment of third party costs and any applicable taxes) in respect of the delivery of such services to such customers, which payment shall be made by Verizon promptly after its receipt of such revenues and in any event no later than 45 days thereafter. The provisions of this Section 7.8(f) shall exclusively govern the circumstances described in the first sentence hereof, notwithstanding any other provision of this Agreement or the Distribution Agreement.

(g) Verizon will use its commercially reasonable efforts to identify to the Company prior to the Closing any Verizon Guarantees (as defined in the Distribution Agreement) and any Spinco Guarantees (as defined in the Distribution Agreement).

7.9 Tax Matters.

(a) IRS Rulings.

(i) As soon as reasonably practicable after the date of this Agreement, Verizon and the Company, as to matters germane to the Merger, shall submit to the IRS a request (the "Ruling Request") for (A) the IRS Ruling, and (B) any other ruling in connection with the Contribution, the Distribution or the Merger that Verizon, in consultation with the Company, deems to be appropriate. The initial Ruling Request and any supplemental materials submitted to the IRS relating thereto (each, an "IRS Submission") shall be prepared by Verizon. Verizon shall provide the Company with a reasonable opportunity to review and comment on each IRS Submission prior to the filing of such IRS Submission with the IRS as provided in Section 10.01 of the Tax Sharing Agreement; provided that Verizon may redact from any IRS Submission any information ("Redactable Information") that (A) Verizon, in its good faith judgment, considers to be confidential and not germane to the Company's or Spinco's obligations under this Agreement or any of the other Transaction Agreements, and (B) is not a part of any other publicly available information, including any non-confidential filing.

(ii) Verizon shall provide the Company with copies of each IRS Submission as filed with the IRS promptly following the filing thereof; provided that Verizon may redact any Redactable Information from the IRS Submission. Each of Verizon, Spinco and the Company agrees to use its commercially reasonable efforts to obtain the IRS Ruling and the other rulings set forth in the Ruling Request, including providing such appropriate information and representations as the IRS shall require in connection with the Ruling Request and any IRS Submissions. Solely for the avoidance of doubt, nothing in this

Section 7.9(a)(ii) shall provide grounds for Verizon, Spinco or the Company to alter any obligation or limitation imposed upon it under this Agreement.

(b) Distribution Tax Opinion. Each of Verizon, Spinco and the Company agrees to use its commercially reasonable efforts to obtain the Distribution Tax Opinion. The Distribution Tax Opinion shall be based upon the IRS Ruling, any other rulings issued by the IRS in connection with the Ruling Request, and customary representations and covenants, including those contained in certificates of Verizon, Spinco, the Company and others, reasonably satisfactory in form and substance to Verizon Tax Counsel (such representations and covenants, the “Distribution Tax Representations”). Each of Verizon, Spinco and the Company shall deliver to Verizon Tax Counsel, for purposes of the Distribution Tax Opinion, the Distribution Tax Representations.

(c) Merger Tax Opinions. Verizon and Spinco, on the one hand, and the Company, on the other hand, shall cooperate with each other in obtaining, and shall use their respective commercially reasonable efforts to obtain, a written opinion of their respective tax counsel, Paul, Hastings, Janofsky & Walker LLP, in the case of the Company (“Company Tax Counsel”), and Verizon Tax Counsel, in the case of Verizon and Spinco, in form and substance reasonably satisfactory to the Company and Verizon, respectively (each such opinion, a “Merger Tax Opinion”), dated as of the Effective Time, to the effect that, on the basis of facts, representations and assumptions set forth in such opinion, the Merger will be treated as a tax-free reorganization within the meaning of Section 368(a) of the Code. Each of the Company, Verizon and Spinco shall deliver to Company Tax Counsel and Verizon Tax Counsel for purposes of the Merger Tax Opinions customary representations and covenants, including those contained in certificates of the Company, Verizon, Spinco and others, reasonably satisfactory in form and substance to Company Tax Counsel and Verizon Tax Counsel.

(d) Prior to the Effective Time, each of Verizon, Spinco and the Company agrees to use its reasonable best efforts to cause the Tax-Free Status of the Transactions.

7.10 Access to Information. Upon reasonable notice, each of Verizon, Spinco and the Company shall, subject to applicable Law, afford to each other and to each other’s respective officers, employees, accountants, counsel and other authorized representatives, reasonable access during normal business hours, from the date hereof through to the date which is the earlier of the Effective Time or the date on which this Agreement is terminated pursuant to Section 9.1, to its and its Subsidiaries’ officers, employees, accountants, consultants, representatives, plants, properties, Contracts (other than Excluded Contracts), commitments, books, records (including Tax Returns) and any report, schedule or other document filed or received by it pursuant to the requirements of the federal or state securities laws, and shall use all commercially reasonable efforts to cause its respective representatives to furnish promptly to the others such additional financial and operating data and other information in its possession, as to its and its Subsidiaries’ respective businesses and properties as the others or their respective duly

authorized representatives, as the case may be, may reasonably request, it being understood that in no event will any party be required to provide access to its accountants' work papers and, in the case of Spinco and Verizon, the foregoing obligations will be limited to information regarding the Spinco Business. The parties hereby agree that the provisions of the Confidentiality Agreement shall apply to all information and material furnished by any party or its representatives thereunder and hereunder.

7.11 No Solicitation by the Company.

(a) Except as set forth in Sections 7.11(b) through (d) hereof, the Company agrees that, following the date of this Agreement and prior to the earlier of the Effective Time or the date on which this Agreement is terminated pursuant to Section 9.1, neither it nor any Company Subsidiary shall, and that it shall use reasonable best efforts to cause its and each of the Company Subsidiary's officers, directors, employees, advisors and agents not to, directly or indirectly, (i) knowingly solicit, initiate or encourage any inquiry or proposal that constitutes or could reasonably be expected to lead to a Company Acquisition Proposal, (ii) provide any non-public information or data to any Person relating to or in connection with a Company Acquisition Proposal, engage in any discussions or negotiations concerning a Company Acquisition Proposal, or otherwise knowingly facilitate any effort or attempt to make or implement a Company Acquisition Proposal, (iii) approve, recommend, agree to or accept, or propose publicly to approve, recommend, agree to or accept, any Company Acquisition Proposal, or (iv) approve, recommend, agree to or accept, or propose to approve, recommend, agree to or accept, or execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement related to any Company Acquisition Proposal. Without limiting the foregoing, any violation of the restrictions set forth in the preceding sentence by any of the Company Subsidiaries or any of the Company's or the Company Subsidiaries' officers, directors, employees, agents or representatives (including any investment banker, attorney or accountant retained by the Company or the Company Subsidiaries) shall be a breach of this Section 7.11(a) by the Company. The Company agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Persons conducted heretofore with respect to any Company Acquisition Proposal (except with respect to the transactions contemplated by this Agreement).

(b) Nothing contained in this Agreement shall prevent the Company or the Company's Board of Directors from, prior to the adoption of this Agreement by the holders of Company Common Stock, engaging in any discussions or negotiations with, or providing any non-public information to, any Person, if and only to the extent that (i) the Company receives from such Person an unsolicited bona fide Company Superior Proposal or a Company Acquisition Proposal that the Company's Board of Directors determines in good faith (after consultation with a financial advisor of nationally

recognized reputation) would reasonably be expected to lead to a Company Superior Proposal, (ii) the Company's Board of Directors determines in good faith (after consultation with its legal advisors) that its failure to do so would reasonably be expected to result in a breach of the Board of Directors' fiduciary duties under applicable Law, (iii) prior to providing any information or data to any Person in connection with a proposal by any such Person, (A) the Company's Board of Directors receives from such Person an executed confidentiality agreement no less restrictive than the Confidentiality Agreement and (B) such information has been provided to Verizon (or is provided to Verizon at the same time it is provided to such Person, to the extent not previously provided or made available to Verizon) and (iv) prior to providing any non-public information or data to any Person or entering into discussions or negotiations with any Person, the Company's Board of Directors notifies Verizon promptly of any such inquiry, proposal or offer received by, any such information requested from, or any such discussions or negotiations sought to be initiated or continued with, the Company, any Company Subsidiary or any of their officers, directors, employees, advisors and agents indicating, in connection with such notice, the material terms and conditions of the Company Acquisition Proposal and the identity of the Person making such Company Acquisition Proposal. The Company agrees that it shall keep Verizon reasonably informed, on a reasonably prompt basis, of the status and material terms of any such proposals or offers, any changes thereto, and the status of any such discussions or negotiations and will notify Verizon promptly of any determination by the Company's Board of Directors that a Company Superior Proposal has been made. For purposes of this Agreement, a "Company Superior Proposal" means any proposal or offer made by a third party to acquire, directly or indirectly, by merger, consolidation or otherwise, for consideration consisting of cash and/or securities, at least a majority of the shares of the Company Common Stock then outstanding or all or substantially all of the assets of the Company and the Company Subsidiaries and otherwise on terms which the Board of Directors of the Company (after consultation with its legal and financial advisors) determines in its good faith judgment to be more favorable to the Company's stockholders than the Merger (taking into account all of the terms and conditions of such proposal and of this Agreement as well as any other factors deemed relevant by the Board of Directors of the Company) and reasonably capable of being consummated on the terms so proposed, taking into account all financial, regulatory, legal and other aspects of such proposal.

(c) Prior to the adoption of this Agreement by the holders of Company Common Stock, the Board of Directors of the Company may, if it concludes in good faith (after consultation with its legal advisors) that failure to do so would result in a breach of its fiduciary duties under applicable Law, withdraw or modify its recommendation of the Merger, but only at a time that is after the third Business Day following Verizon's receipt of written notice from the Company advising Verizon of its intention to do so. Notwithstanding any withdrawal or modification of recommendation pursuant to this Section 7.11(c), Verizon shall have the option, exercisable within five Business Days

after such withdrawal or modification, to cause the Board of Directors to submit this Agreement to the stockholders of the Company for the purpose of adopting this Agreement.

(d) Nothing in this Agreement shall prohibit the Company from taking and disclosing to its stockholders a position contemplated by Rule 14d-9 and Rule 14e-2(a) promulgated under the Exchange Act or from making any disclosure to the Company stockholders if, in the good faith judgment of the Board of Directors of the Company (after consultation with its legal advisors), it is required to do so in order to comply with its fiduciary duties to the Company's stockholders under applicable Law; provided, however, that neither the Company nor its Board of Directors nor any committee thereof shall approve or recommend, or propose publicly to approve or recommend, a Company Acquisition Proposal unless the Company has first terminated this Agreement pursuant to Section 9.1(h) hereof and has otherwise complied with the provisions thereof.

#### 7.12 Director and Officer Matters.

(a) From and after the date hereof, the Company, the Surviving Corporation and their respective Subsidiaries shall provide such cooperation and assistance as Verizon may reasonably request to enable, if Verizon so chooses, Verizon or a Subsidiary thereof to maintain following the Closing, at Verizon's expense, directors' and officers' liability insurance policies and fiduciary liability insurance policies covering each person who is, or has been at any time prior to the Effective Time, an officer or director of Verizon or a Contributing Company and each person who served at the request of a Contributing Company as a director, officer, trustee or fiduciary of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise, including any person serving in such capacity with respect to Spinco or a Spinco Subsidiary (the "Identified Persons").

(b) Effective as of the Effective Time, the Surviving Corporation, on behalf of itself, its Subsidiaries and their respective successors and assigns, and for all parties claiming by, through or under them (the "Surviving Corporation Releasers"), hereby irrevocably release, remise and forever discharge each of the Identified Persons, and each of their respective estates and heirs, of and from any and all claims, whether presently known or unknown, which any Surviving Corporation Releaser has or may have of any kind arising out of or pertaining to acts or omissions, or alleged acts or omissions, by the Identified Persons in the capacities specified in Section 7.12(a) prior to the Closing.

(c) In the event of any claim, action, suit, arbitration, proceeding or investigation ("Action") arising out of or pertaining to acts or omissions, or alleged acts or omissions, by the Identified Persons in the capacities specified in Section 7.12(a) prior to the Closing, from and after the Effective Time the Surviving Corporation and its Subsidiaries shall provide reasonable cooperation, at Verizon's expense, in defense of any such Action.

7.13 Rule 145 Affiliates. Spinco shall, at least 10 days prior to the Effective Time, cause to be delivered to the Company a list, reviewed by its counsel, identifying any persons who will be, in its reasonable judgment, at the Effective Time, “affiliates” of Spinco for purposes of Rule 145 promulgated by the SEC under the Securities Act (each, a “Rule 145 Affiliate”). Spinco shall furnish such information and documents as the Company may reasonably request for the purpose of reviewing such list. Spinco shall use all commercially reasonable efforts to cause each person who is identified as a Rule 145 Affiliate in the list furnished pursuant to this Section 7.13 to execute a written agreement (each, a “Rule 145 Affiliate Agreement”), substantially in the form of Exhibit A to this Agreement, at or prior to the Effective Time.

7.14 Public Announcements. Verizon and the Company shall consult with each other and shall mutually agree upon any press release or public announcement relating to the transactions contemplated by this Agreement and neither of them shall issue any such press release or make any such public announcement prior to such consultation and agreement, except as may be required by applicable Law or by obligations pursuant to any listing agreement with any national securities exchange or automated inter-dealer quotation system, in which case the party proposing to issue such press release or make such public announcement shall use all commercially reasonable efforts to consult in good faith with the other party before issuing any such press release or making any such public announcement.

7.15 Notification.

(a) Verizon shall give notice to the Company, and the Company shall give notice to Verizon, of any occurrence or non-occurrence of any fact or event that would reasonably be expected to cause the failure of Verizon or its Affiliates or the Company or its Affiliates, as the case may be, to comply with or satisfy, in any material respect, any closing condition pursuant to Article VIII.

(b) Each of the parties hereto shall keep the others informed on a timely basis as to (i) the status of the transactions contemplated by the Transaction Agreements and the obtaining of all necessary and appropriate exemptions, rulings, consents, authorizations and waivers related thereto and (ii) the status of any other material regulatory proceeding, pending as of the date hereof or arising prior to the Effective Time, affecting the Spinco Business or the business of the Company and its Subsidiaries, as applicable, including making available to the other parties copies of all material communications with State Regulators in connection with any such proceeding.

7.16 Real Property Matters. Promptly after the execution of this Agreement:

(i) the parties will negotiate in good faith a mutually acceptable arrangement allowing Verizon and its Affiliates to occupy and use following the Closing the property located at 875 Holt Avenue, Manchester, New Hampshire in

substantially the same manner insofar as practicable as such property is occupied and used by them (other than in connection with the Spinco Business) during the 12 month period prior the Closing Date;

(ii) the parties will negotiate in good faith a mutually acceptable lease arrangement allowing Verizon and/or its Affiliates to continue to occupy and use a portion of the property located at 770 Elm Street, Manchester, New Hampshire (the "NH Premises") pursuant to a gross lease arrangement (the "NH Lease") whereby Verizon and/or its Affiliate(s) shall (A) occupy the entire first floor of the NH Premises (to the extent consistent with its or their current occupancy), (B) be permitted to remain at the NH Premises for an initial term of five years from the date of execution of the NH Lease, (C) pay a market rental rate to be agreed upon by the parties, (D) have two consecutive five-year options to extend the initial term and (E) contain such other terms as the parties may reasonably agree, and in connection therewith shall consider in good faith the form of lease agreement proposed by Verizon to the Company prior to the date hereof; and

(iii) the parties will negotiate in good faith a mutually acceptable lease arrangement allowing Verizon and/or its Affiliates to continue to occupy and use a portion of the property located at 59 Park Street, Bangor, Maine (the "ME Premises") pursuant to a gross lease arrangement (the "ME Lease") whereby Verizon and/or its Affiliate(s) shall (A) occupy the entire fourth floor of the ME Premises (to the extent consistent with its or their current occupancy), (B) be permitted to remain at the ME Premises for an initial term of five years from the date of execution of the ME Lease, (C) pay a market rental rate to be agreed upon by the parties, (D) have two consecutive five-year options to extend the initial term and (E) contain such other terms as the parties may reasonably agree, and in connection therewith shall consider in good faith the form of lease agreement proposed by Verizon to the Company prior to the date hereof.

7.17 Control of Other Party's Business. Nothing contained in this Agreement shall give Verizon or Spinco, directly or indirectly, the right to control or direct the Company's operations prior to the Effective Time. Nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct the operations of the business of Spinco and the Spinco Subsidiaries prior to the Effective Time. Prior to the Effective Time, Verizon and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its respective operations.

7.18 Financial Statements and Related Information.

(a) Verizon will deliver to the Company at Verizon's expense, as soon as practicable, and in any event no later than 90 days after the end of the 2006 fiscal year, audited Statements of Selected Assets, Selected Liabilities and Parent Funding of the



local exchange businesses and related landline activities of Verizon in the states of Maine, New Hampshire and Vermont (including Internet access, long distance and customer premises equipment services provided to customers in those states) for such fiscal year (collectively, such combined financial statements, together with the notes thereto, the “2006 Financial Statements”), which will comply with the reporting requirements of the SEC under Regulation S-X promulgated under the Exchange Act (either initially or as amended in response to any SEC comment), together with an unqualified opinion of Verizon’s independent accounting firm, Ernst & Young LLP, it being agreed that the cost of such audit shall be borne by Verizon. The 2006 Financial Statements will be prepared in accordance with GAAP and Regulation S-X promulgated under the Exchange Act applied on a consistent basis throughout the period involved using the same accounting principles, practices, methodologies and policies used in preparing the Audited Financial Statements (except as may otherwise be required by GAAP or as may be expressly disclosed therein) and present fairly, in all material respects, the financial position and operating results of the Spinco Business as of the dates and for the periods indicated therein.

(b) Beginning with the calendar quarter ending on March 31, 2007, Verizon will deliver to the Company, promptly upon their being prepared (and in any event no later than 60 days after the end of each calendar quarter), unaudited Statements of Selected Assets, Selected Liabilities and Parent Funding of the local exchange businesses and related landline activities of Verizon in the states of Maine, New Hampshire and Vermont (including Internet access, long distance and customer premises equipment services provided to customers in those states) (the “Quarterly Financial Statements”). Such balance sheet and statements of income and cash flows shall be prepared from the books and records of Verizon and the Contributing Companies (to the extent relating to the Spinco Business) in accordance with GAAP applied on a consistent basis throughout the periods involved using the same accounting principles, practices, methodologies and policies used in preparing the Spinco Financial Statements (except as may otherwise be required under GAAP) and present fairly, in all material respects, the financial position and operating results of the Spinco Business as of the dates and for the periods indicated therein.

(c) On or prior to such date as the Quarterly Financial Statements are required to be delivered by Verizon to the Company, Verizon shall deliver to the Company, in writing, a calculation of Spinco Adjusted EBITDA as of the end of such quarter, together with a certificate of an authorized representative of Verizon stating that such calculation is an accurate calculation made in accordance with the definition of “Spinco Adjusted EBITDA” provided herein.

(d) No later than three Business Days following the filing of any quarterly report on Form 10-Q in respect of a fiscal quarter, the Company shall deliver to Verizon, in writing, a calculation of Company Adjusted EBITDA as of the end of such quarter,

together with a certificate of an authorized representative of the Company stating that such calculation is an accurate calculation made in accordance with the definition of “Company Adjusted EBITDA” provided herein.

7.19 Directors of the Surviving Corporation. The Company, Verizon and Spinco shall take all action reasonably necessary to cause the Board of Directors of the Company immediately prior to the Effective Time to consist of nine members, (i) six of whom shall be designated by Verizon and (ii) three of whom will be designated by the Company, which directors shall be evenly distributed among the Company’s three classes of directors and shall be the Board of Directors of the Surviving Corporation. One of the Company’s designees shall serve as chairman of the board. Within 75 days following the date of this Agreement, Verizon shall give the Company written notice setting forth its designees to the Surviving Corporation’s Board of Directors and such information with respect to each of its designees as is required to be disclosed in the Proxy Statement/Prospectus or the proxy statement for such annual meeting. Promptly after Verizon gives such notice to the Company, and in any event within 10 days thereafter, the Company shall notify Verizon of its designees to the Surviving Corporation’s Board of Directors. Two of the Verizon designees shall be persons prepared to commence service as directors of the Company from and after the date that the Requisite Approval of the Company’s stockholders is obtained, and to continue to serve in such capacity after the Effective Time, it being the understanding of the parties that two of the Company’s current directors will resign at or prior to the date of the Company Stockholders Meeting and will be replaced by such Verizon designees at or after the date of the Company Stockholders Meeting upon reasonable prior notice by the Company to Verizon. The designees of each of Verizon and the Company will be equally distributed among the classes of the Board of Directors of the Surviving Corporation, as each of Verizon and the Company shall specify. Without limiting the foregoing and prior to the Effective Time, the Company shall take all actions necessary to obtain the resignations of all members of its Board of Directors who will not be directors of the Surviving Corporation and for the Board of Directors of the Company to fill such vacancies with the new directors contemplated by this Section 7.19. None of Verizon’s director nominees under this Section 7.19 will be employees of Verizon, its Affiliates or Cellco Partnership or any of its Subsidiaries.

7.20 Financing.

(a) Verizon shall have the right to designate, in consultation with the Company, the final form of the Spinco Securities and related agreements (including registration rights arrangements and indenture) embodying the terms set forth in Exhibit C of the Distribution Agreement and to prepare the documents related thereto, provided that (i) the Company shall have the right and obligation, in consultation with Verizon, to negotiate and approve covenants that are generally consistent with then current market practice for 144A debt offerings and economic terms of the Spinco Securities and related

agreements (including registration rights arrangements and indenture) that are not specified on Exhibit C of the Distribution Agreement as long as such covenants and economic terms are consistent with Exhibit C of the Distribution Agreement and shall allow the Spinco Securities to be valued at par upon issuance (including, for the avoidance of doubt, for purposes of the Debt Exchange if Verizon elects to consummate such Debt Exchange at the time of Closing) and allow for the timely consummation of the Debt Exchange (if elected by Verizon) and (ii) any other material terms of the Spinco Securities and related agreements that are not addressed by clause (i) of this Section 7.20(a) or on Exhibit C of the Distribution Agreement shall be subject to the joint approval of the parties, acting reasonably. For the avoidance of doubt, if Verizon elects to consummate the Debt Exchange, it shall have the sole right to structure the arrangements relating thereto with underwriters, arrangers and other third parties relating to the Debt Exchange; provided that Verizon shall keep the Company reasonably updated regarding such arrangements.

(b) Each of Verizon, Spinco and the Company shall cooperate in connection with the preparation of all documents and the making of all filings required in connection with the New Financing, the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange) and shall use their respective commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate the New Financing, the issuance of the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange) and the other transactions contemplated in connection therewith. Without limiting the generality of the foregoing, each of Verizon, Spinco and the Company shall use their respective commercially reasonable efforts to cause their respective employees, accountants, counsel and other representatives to cooperate with each other in (i) participating in meetings, drafting sessions, due diligence sessions, management presentation sessions, “road shows” and sessions with rating agencies in connection with the syndication or marketing of the New Financing, the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange), (ii) preparing offering memoranda, private placement memoranda, prospectuses and similar documents deemed reasonably necessary by Verizon, Spinco or the Company, to be used in connection with consummating the New Financing, the issuance of the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange), (iii) executing and delivering all documents and instruments deemed reasonably necessary by Verizon, Spinco or the Company to consummate the New Financing, the issuance of the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange), including any underwriting or placement agreements, pledge and security documents, other definitive financing documents, including any intercreditor or indemnity agreements, or other requested certificates or documents as may be reasonably requested in connection with the New Financing, the Spinco Securities or the Debt Exchange (if Verizon elects to consummate the Debt Exchange), provided, however, that (A) no such agreements or documents shall impose any monetary

obligation or liability on Spinco or the Company prior to the Effective Time and (B) Verizon shall not be obligated to incur any obligations in connection with the New Financing (other than the obligation to pay Spinco Debt Expenses as provided in the Distribution Agreement and the non-monetary cooperation obligations set forth above in this Section 7.20(b)), (iv) disclosing the terms and conditions of the New Financing, the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange), as reasonably appropriate, in the Registration Statements, and (v) taking all other actions reasonably necessary in connection with the New Financing, including any such actions required to permit the assumption by the Surviving Corporation of the debt that is part of the New Financing and the Spinco Securities at the Effective Time. The obligations of Verizon, Spinco and the Company under this Section 7.20(b) with respect to the New Financing shall also apply to any Alternative Financing (as defined below).

(c) No party shall modify any term of the Commitment Letter (or any related fee agreement) without the consent of the Company and Verizon. Spinco and the Company, acting reasonably, shall jointly participate in the negotiation of the definitive agreements relating to the New Financing, consistent with the terms and conditions of the Commitment Letter. If for any reason any portion of the New Financing becomes unavailable or is insufficient to consummate the transactions contemplated by the Transaction Documents, the Company shall, as promptly as practicable following such event, take all actions necessary to obtain, in consultation with Verizon, and consummate on such terms as may then be available, including from alternate sources, alternative financing for the same purposes as the purposes of the New Financing (“Alternative Financing”). Any commitment fees associated with any Alternative Financing shall be borne by the Company. Verizon shall cooperate with the Company’s efforts to seek to obtain the Alternative Financing but shall not be obligated to incur any obligations in connection with the Alternative Financing (other than the obligation to pay Spinco Debt Expenses as provided in the Distribution Agreement and the non-monetary cooperation obligations set forth Section 7.20(b)).

(d) The Company shall take all actions necessary to satisfy all conditions to the New Financing (or, if applicable, the Alternative Financing) that are within its control, including arranging for the payoff, termination and/or cancellation of all loan documents in respect of indebtedness of the Company that is contemplated by any commitment letter associated with the New Financing or any Alternative Financing to be repaid at the Closing with the proceeds from the New Financing or any Alternative Financing.

(e) The Company, if it does not enter into the amendment to the Company Credit Agreement contemplated by the Backstop Facility Commitment and thereby obtain the consent disclosed in Section 6.3(c) of the Company Disclosure Letter, shall enter into the documentation for, and draw on the facility contemplated by, the Backstop Facility Commitment prior to the expiration of the Backstop Facility Commitment

(including any extension thereof that may be entered into with the consent of Verizon, not to be unreasonably withheld, delayed or conditioned), such draw to be in an amount sufficient to refinance in full the Company Credit Agreement and pay all related fees.

7.21 Accountants.

(a) In connection with the information regarding the Spinco Business or the transactions contemplated by this Agreement provided by Spinco specifically for inclusion in, or incorporation by reference into, the Proxy Statement/Prospectus and the Registration Statements, Verizon shall use all commercially reasonable efforts to cause to be delivered to the Company letters of Ernst & Young LLP, dated the date on which each of the Registration Statements shall become effective and dated the Closing Date, and addressed to the Company, in form and substance reasonably satisfactory to the Company and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Registration Statements.

(b) The Company shall use all commercially reasonable efforts to cause KPMG LLP, the independent auditors of the Company, to provide any unqualified opinions, consents or customary comfort letters with respect to the financial statements of the Company needed in connection with the New Financing, the Spinco Registration Statement and/or the Debt Exchange (if Verizon elects to consummate the Debt Exchange). The Company agrees to allow Verizon's accounting representatives the opportunity to review any such financial statements required in connection therewith and to allow such representatives reasonable access to the Company and the Company Subsidiaries and supporting documentation with respect to the preparation of such financial statements; provided that such access shall not include any right to review the working papers of the independent auditors of the Company and the Company Subsidiaries.

(c) In connection with the information regarding the Company or the Company Subsidiaries or the transactions contemplated by this Agreement provided by the Company specifically for inclusion in, or incorporation by reference into, the Proxy Statement/Prospectus and the Registration Statements, the Company shall use all commercially reasonable efforts to cause to be delivered to Spinco letters of KPMG LLP, dated the date on which each of the Registration Statements shall become effective and dated the Closing Date, and addressed to Verizon and Spinco, in form and substance reasonably satisfactory to Verizon and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Registration Statements.

(d) Verizon shall use all commercially reasonable efforts to cause Ernst & Young LLP, the independent auditors of Spinco, to provide any unqualified opinions, consents or customary comfort letters with respect to the financial statements regarding

the Spinco Business needed in connection with the New Financing, the Proxy Statement/Prospectus, the Company Registration Statement and/or the Debt Exchange (if Verizon elects to consummate the Debt Exchange). Verizon agrees to allow the Company's accounting representatives the opportunity to review any such financial statements required in connection therewith and to allow such representatives reasonable access to records of the Contributing Companies and supporting documentation with respect to the preparation of such financial statements; provided, that such access shall not include any right to review the working papers of the independent auditors of Verizon and its Subsidiaries.

7.22 Disclosure Controls. Each of Verizon and the Company shall use its commercially reasonable efforts to enable the Company to implement such programs and take such steps as are reasonably necessary to (i) develop a system of internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) intended to ensure that after the Effective Time material information relating to the Surviving Corporation is timely made known to the management of the Surviving Corporation by others within those entities, (ii) cooperate reasonably with each other in preparing for the transition and integration of the financial reporting systems of Spinco and the Spinco Subsidiaries with the Company's financial reporting systems following the Effective Time and (iii) otherwise enable the Surviving Corporation to maintain compliance with the provisions of Section 404 of the Sarbanes-Oxley Act.

7.23 Listing. As promptly as reasonably practicable following the date hereof and at least 30 days prior to the date that any party reasonably expects all of the required regulatory approvals to have been obtained, the Company shall make application to the NYSE for the listing of the shares of Company Common Stock to be issued pursuant to the transactions contemplated by this Agreement and use all reasonable best efforts to cause such shares to be Approved for Listing.

7.24 Required Spinco Business Capital Expenditures. Verizon and the Verizon Subsidiaries shall (i) during the year ended December 31, 2007, incur expenses for capital improvements in respect of the Spinco Business (accounted for consistently with the Audited Financial Statements) in an amount not less than \$137,500,000 (pro rated for any portion of such year that precedes the Effective Time) and (ii) during the year ended December 31, 2008, incur expenses for capital improvements in respect of the Spinco Business (accounted for consistently with the Audited Financial Statements) in an amount not less than \$11,000,000 per month; provided, that any such expenses incurred in 2007 to the extent such expenses exceed \$137,500,000 will be credited against such expenses that Verizon and the Verizon Subsidiaries would otherwise be obligated to incur in 2008 pursuant to this Section 7.24.

7.25 Reseller Agreement. Verizon shall use commercially reasonable efforts to cause Verizon Wireless to enter into a reseller agreement with the Company at the Effective Time on the terms and conditions described in Section 5.23; provided that the

Company's "Application for Reseller Status" has at such time been approved by Verizon Wireless in accordance with its standard practices and there has been no material change in the information set forth in such application from the time of its submission through the Effective Time.

7.26 Purchasing Arrangement.

(a) On any single occasion within 30 days of the date on which the parties reasonably anticipate the Closing to occur, the Company may request that Verizon cause its Subsidiaries to purchase equipment, inventory or spare parts of the type typically purchased by them for use in the conduct of the Spingo Business pursuant to Contracts between Verizon or its Subsidiaries and third party vendors ("Supplies") other than (i) any third-party intellectual property including software and (ii) any Network Element for which the Company has not obtained the written consent of the applicable third party to use Network Element Software. Any such request by the Company shall be made in writing and shall identify the types and quantities of Supplies the Company desires that Verizon cause to be purchased. Promptly thereafter, and after consultation with the relevant third party vendors where Verizon deems it appropriate, Verizon shall inform the Company of the anticipated cost of such purchase. The price to be paid by the Company for any given item of the Supplies shall be the greater of the average price paid by Verizon and its Subsidiaries to such vendor for such item in the preceding 12 month period and the price then payable by Verizon and its Subsidiaries for such item.

(b) The Company shall submit to Verizon a single purchase order for the actual amount of such Supplies that it desires be purchased at such price or prices and shall provide Verizon with a letter of credit (which may be replaced at any time by a new letter of credit) securing the full amount of such purchases (the "Purchase Letter of Credit"). Promptly after the Company submits its purchase order for Supplies to Verizon, Verizon shall submit a purchase order or orders for such Supplies to its applicable vendor or vendors (unless any such purchase order cannot be submitted in accordance with the terms of the applicable Contract with such vendor). Verizon shall provide to the Company a copy of all invoices received from the applicable vendor or vendors in respect of the purchase of the Supplies promptly after Verizon's receipt of such invoices. Within three Business Days following delivery by Verizon to the Company of a copy of the invoice received from the applicable vendor or vendors in respect of the purchase of the Supplies, the Company shall pay to Verizon the full amount due in respect of such invoice by wire transfer of immediately available funds. If such payment is not timely made, the Purchase Letter of Credit shall permit Verizon to draw against it for the full purchase price of such Supplies. Upon the Company's payment in full to Verizon of the purchase price in respect of all invoices for any Supplies ordered by the Company hereunder, Verizon shall surrender the Purchase Letter of Credit to the Company.

(c) Verizon shall take delivery of the Supplies on behalf of the Company and shall notify the Company promptly after the delivery of such Supplies. The Company shall take delivery of, and remove from the facilities of Verizon and its Subsidiaries, any Supplies ordered by Verizon or its Subsidiaries on behalf of the Company promptly after the Effective Time, or after any earlier delivery of such Supplies at the Company's election. Verizon shall provide the Company with commercially reasonable access during regular business hours on reasonable prior notice for purposes of such removal. The Company shall promptly pay or reimburse Verizon for any costs arising out of damage caused by the Company's removal of any such Supplies. Verizon shall have no liability to the Company in respect of any casualty to or loss of such Supplies. Verizon shall store such Supplies under conditions that are substantially similar to those conditions under which Verizon and its Subsidiaries store similar Supplies ordered in the ordinary course of their business.

(d) Verizon shall use commercially reasonable best efforts to make any returns of Supplies that the Company may request, and shall promptly remit to the Company any refund received from a vendor in respect of such a return. Solely to the extent that the Company or its applicable Subsidiary is unable to bring such a claim on its own behalf, Verizon shall assist the Company by making any good faith warranty claims against a vendor in respect of such Supplies that the Company may request be brought and shall promptly remit to the Company the proceeds of any such claim. The Company shall pay or promptly reimburse any costs and expenses that Verizon and its Subsidiaries may incur in respect of its obligations under this Section 7.26(d).

(e) If this Agreement is terminated pursuant to Section 9.1, (i) the Company shall take delivery of and remove from the facilities of Verizon and its Subsidiaries in accordance with Section 7.26(c) any Supplies ordered by Verizon or its Subsidiaries on behalf of the Company promptly after such termination or, if such Supplies have not been delivered at the time of such termination, promptly after Verizon gives notice to the Company that such Supplies have been delivered, and (ii) if any such Supplies have not been so removed within 10 Business Days of the later of (A) the termination of this Agreement and (B) if such Supplies have not been delivered to Verizon or its Subsidiaries at the time of termination, Verizon's notice to the Company that such Supplies have been delivered, then such Supplies shall become the property of Verizon to be used or disposed of in its sole discretion.

7.27 Joint Defense Arrangements. Prior to the Closing, Verizon and the Company, each acting reasonably, shall negotiate the terms of a joint defense agreement that will set forth the procedures for defending and resolving any threatened or filed litigation that constitutes in part a Spinco Liability (as defined in the Distribution Agreement) and a Verizon Liability (as defined in the Distribution Agreement) on a basis that provides for the active involvement and cooperation of each of Verizon and the Surviving Corporation, it being understood that lead counsel defending such litigation



shall be selected by Verizon (after reasonable consultation with the Company, if such counsel was not selected prior to the Effective Time) and that neither Verizon nor the Surviving Corporation shall have the authority to bind the other party in any settlement of such litigation without the written consent of such other party. The parties agree that such agreement shall incorporate an equitable procedure for limiting the liability of an indemnity party in the event a settlement offer is accepted by such party and rejected by the counterparty, taking into account the party which is most likely to suffer the greater amount of Losses (including for such purposes payments hereunder), and a more adverse settlement or resolution results.

## ARTICLE VIII

### CONDITIONS TO THE MERGER

8.1 Conditions to the Obligations of Spinco, Verizon and the Company to Effect the Merger. The respective obligations of each party to consummate the Merger shall be subject to the fulfillment (or, to the extent permitted by applicable Law, written waiver by Verizon and the Company) at or prior to the Effective Time of the following conditions:

(a) Each of the Internal Spinoffs, the Internal Restructuring, the Contribution, and the Distribution shall have been consummated, in each case, in accordance with the Distribution Agreement, the IRS Ruling (unless the parties agree in writing upon and implement an alternative structure for the transactions contemplated hereby that eliminates the need for an IRS Ruling as contemplated by Section 2.7 hereof) and the Distribution Tax Opinion; provided that this Section 8.1(a) shall not be a condition to the consummation of the Merger by any party whose failure to comply with its obligations and/or covenants set forth in this Agreement, the Tax Sharing Agreement or the Distribution Agreement gives rise to the failure of the Internal Spinoffs, the Internal Restructuring, the Contribution, or the Distribution to have been consummated.

(b) Any applicable waiting period under the HSR Act shall have expired or been terminated.

(c) (i) No regulatory proceeding before any State Regulator that is pending as of the date hereof or arises prior to the Effective Time, and affects either the Spinco Business or the business of the Company and its Subsidiaries, shall have been resolved by final order of the applicable regulator on terms that, and (ii) no condition shall have been imposed in connection with obtaining any Telecommunications Regulatory Consent that, would reasonably be expected, when taken together, to have a Material Adverse Effect on the Surviving Corporation (disregarding for such purposes any request or requirement of a Governmental Authority (A) to make capital expenditures substantially consistent

with the amounts and general categories of expenditures set forth in (x) the Company's 2007 capital expenditure budget set forth in Section 7.1(g) of the Company Disclosure Letter for its existing operations in Maine, New Hampshire and Vermont or (y) Verizon's 2007 capital expenditure budget for the Spinco Business set forth in Section 7.2(f) of the Spinco Disclosure Letter or (B) to abide by any public statements made by the Company with respect to the anticipated types of services or service levels to be delivered by the Surviving Corporation) or Verizon (assuming for purposes of this Section 8.1(c) that the business, assets, properties and liabilities of Verizon were comparable in size to that of the Surviving Corporation). For purposes of this Section 8.1(c), any determination of whether any condition shall have been imposed in connection with obtaining any Telecommunications Regulatory Consent that would reasonably be expected to have a Material Adverse Effect on the Surviving Corporation shall include consideration of the financial effect on the Surviving Corporation of any final order that may be issued denying the Company a waiver of Sections 61.41(b) and (c) of the FCC's rules, 47 C.F.R. 61.41(b), (c).

(d) All of the Telecommunications Regulatory Consents shall be final and in full force and effect.

(e) The Registration Statements shall have become effective in accordance with the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order; all necessary permits and authorizations under state securities or "blue sky" laws, the Securities Act and the Exchange Act relating to the issuance and trading of shares of Company Common Stock to be issued pursuant to the Merger shall have been obtained and shall be in effect; and such shares of Company Common Stock and such other shares required to be reserved for issuance pursuant to the Merger shall have been Approved for Listing.

(f) The Requisite Approval shall have been obtained, in accordance with applicable Law and the rules and regulations of the NYSE.

(g) No court of competent jurisdiction or other Governmental Authority shall have issued an Order that is still in effect restraining, enjoining or prohibiting the Contribution, the Distribution or the Merger.

(h) No action shall have been taken, and no statute, rule, regulation or executive order shall have been enacted, entered, promulgated or enforced by any Governmental Authority with respect to the Contribution, the Distribution and the Merger or the other transactions contemplated hereby or by the Distribution Agreement or by the Employee Matters Agreement that, individually or in the aggregate, would (i) restrain, enjoin or prohibit the consummation of the Internal Spinoffs, the Internal Restructuring, the Contribution, the Distribution or the

Merger or the other transactions contemplated hereby or by the Distribution Agreement or (ii) impose any burdens, liabilities, restrictions or requirements thereon or on Verizon, Spinco or the Company with respect thereto that would reasonably be expected to have a Material Adverse Effect on Verizon (assuming for purposes of this Section that the business, assets, properties and liabilities of Verizon were comparable in size to that of the Surviving Corporation) or the Surviving Corporation following the Merger (collectively, a “Restraint”), and no Governmental Authority shall have instituted or threatened to institute and not withdrawn any proceeding seeking any such Restraint.

(i) The Company shall have consummated the New Financing or the Alternative Financing and the Spinco Securities shall have been issued.

(j) Unless the parties agree in writing upon and implement an alternative structure for the transactions contemplated hereby that eliminates the need for an IRS Ruling as contemplated by Section 2.7 hereof, Verizon and Spinco (and, to the extent applicable, the Company) shall have received the IRS Ruling in form and substance reasonably satisfactory to Verizon, Spinco and the Company, and such IRS Ruling shall continue to be valid and in full force and effect.

(k) The Company shall have received a Merger Tax Opinion from Company Tax Counsel, in form and substance reasonably satisfactory to the Company, and Verizon shall have received a Merger Tax Opinion and a Distribution Tax Opinion from Verizon Tax Counsel, in form and substance reasonably satisfactory to Verizon.

(l) Verizon and the Company shall have received the opinion of a nationally recognized independent valuation firm selected by Verizon attesting to the solvency of the Surviving Corporation on a pro forma basis immediately after the Effective Time, which opinion shall be in customary form (the “Solvency Opinion”).

8.2 Additional Conditions to the Obligations of Verizon and Spinco. The obligation of Verizon and Spinco to consummate the Merger shall be subject to the fulfillment (or, to the extent permitted by applicable Law, waiver by Verizon) at or prior to the Effective Time of the following additional conditions:

(a) The Company shall have performed in all material respects all obligations and complied in all material respects with all covenants required by this Agreement to be performed or complied with by it at or prior to the Effective Time.

(b) Each of the representations and warranties of the Company (i) set forth in Article VI (other than Sections 6.2(a) and 6.3(a)) of this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date as though such representations and warranties were made on and as of such date, except for representations and warranties that speak as of an earlier date or period which shall be true and correct as of such date or period; provided, however, that for purposes of this clause, such representations and warranties shall be deemed to be true and correct unless the failure or failures of all such representations and warranties to be so true and correct, without giving effect to any qualification as to materiality or Material Adverse Effect set forth in such representations or warranties, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and (ii) set forth in Sections 6.2(a) and 6.3(a) of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date.

(c) The Company shall have delivered to Verizon a certificate, dated as of the Effective Time, of a senior officer of the Company certifying the satisfaction by the Company of the conditions set forth in subsection (a) and (b) of this Section 8.2.

(d) Except as disclosed in the Company Disclosure Letter or as expressly contemplated by the Transaction Agreements, since September 30, 2006, there shall have been no event, occurrence, development or state of circumstances or facts that has had, individually or in the aggregate, a Material Adverse Effect on the Company.

(e) The Company shall have entered into the applicable Transaction Agreements, and to the extent timely, performed them in all material respects, and each such agreement shall be in full force and effect.

8.3 Additional Conditions to the Obligations of the Company. The obligation of the Company to consummate the Merger shall be subject to the fulfillment (or, to the extent permitted by applicable Law waiver by the Company) at or prior to the Effective Time of the following additional conditions:

(a) Spinco and Verizon shall have performed in all material respects and complied in all material respects with all covenants required by this Agreement to be performed or complied with by them at or prior to the Effective Time.

(b) Each of the representations and warranties of Verizon and Spinco (i) set forth in Article IV and Article V (other than Sections 4.2(a) and 5.3(a)) of this Agreement shall be true and correct as of the date of this Agreement and as of

the Closing Date as though such representations and warranties were made on and as of such date, except for representations and warranties that speak as of an earlier date or period which shall be true and correct as of such date or period; provided, however, that for purposes of this clause, such representations and warranties shall be deemed to be true and correct unless the failure or failures of all such representations and warranties to be so true and correct, without giving effect to any qualification as to materiality or Material Adverse Effect set forth in such representations or warranties, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Verizon or Spinco and (ii) set forth in Sections 4.2(a) and 5.3(a) of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date.

(c) Verizon and Spinco shall have delivered to the Company a certificate, dated as of the Effective Time, of a senior officer of each of Verizon and Spinco certifying the satisfaction of the conditions set forth in subsection (a) and (b) of this Section 8.3.

(d) Spinco and Verizon (or a Subsidiary thereof) shall have entered into the applicable Transaction Agreements, and to the extent timely, performed them in all material respects, and each such agreement shall be in full force and effect.

(e) Except as disclosed in the Spinco Disclosure Letter or as expressly contemplated by the Transaction Agreements, since the Interim Balance Sheet Date, there shall have been no event, occurrence, development or state of circumstances or facts that has or would have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

(f) The Company shall have received the consent of lenders under the Company Credit Agreement holding at least 51% of the aggregate outstanding term loans and revolving commitments thereunder to effect the Merger; provided, that this condition shall be deemed satisfied upon consummation of the New Financing or the Alternative Financing.

## ARTICLE IX

### TERMINATION, AMENDMENT AND WAIVERS

9.1 Termination. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated and the transactions contemplated hereby may be abandoned prior to the Effective Time, whether before or after the Requisite Approval:

(a) by the mutual written consent of each party hereto, which consent shall be effected by action of the Board of Directors of each such party;

(b) by any party hereto if the Effective Time shall not have occurred on or before the first anniversary of the date of this Agreement, provided that such period may be extended by Verizon or the Company upon written notice for one or more 30-day periods, not to exceed 120 days in the aggregate, to the extent all closing conditions herein are capable of being satisfied as of such time other than the condition regarding receipt of Telecommunications Regulatory Consents; provided, further, that the right to terminate this Agreement pursuant to this Section 9.1(b) shall not be available to any party whose failure to perform any of its obligations under this Agreement required to be performed by it at or prior to such date has been a substantial cause of, or substantially contributed to, the failure of the Merger to have become effective on or before such date;

(c) by any party hereto if, (i) a statute, rule, regulation or executive order shall have been enacted, entered or promulgated prohibiting the consummation of the Merger or (ii) an Order shall have been entered permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger and such Order shall have become final and non-appealable and the party seeking to terminate this Agreement pursuant to this clause 9.1(c)(ii) shall have used all commercially reasonable efforts to remove such Order, other than a final order of a State Regulator in the state of Vermont, New Hampshire or Maine;

(d) by the Company, if either Verizon or Spinco shall have breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 8.1 or 8.3 and (ii) cannot be cured by the Termination Date, provided that the Company shall have given Verizon and Spinco written notice, delivered at least 30 days prior to such termination, stating the Company's intention to terminate this Agreement pursuant to this Section 9.1(d) and the basis for such termination;

(e) by Verizon and Spinco, if the Company shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 8.1 or 8.2 and (ii) cannot be cured by the Termination Date, provided that Verizon and Spinco shall have given the Company written notice, delivered at least 30 days prior to such termination, stating Verizon and Spinco's intention to terminate the Agreement pursuant to this Section 9.1(e) and the basis for such termination;

(f) by Verizon and Spinco or the Company if, at the Company Stockholders' Meeting (including any adjournment, continuation or postponement thereof), the Requisite Approval shall not be obtained; except that the right to terminate this Agreement under this Section 9.1(f) shall not be available to the Company where the failure to obtain the Requisite Approval shall have been caused by the action or failure to act of the Company and such action or failure to act constitutes a material breach by the Company of this Agreement;

(g) by Verizon and Spinco, if (i) the Board of Directors of the Company (or any committee thereof), shall have withdrawn or modified its approval or recommendation of the Merger or this Agreement, approved or recommended to the Company stockholders a Company Acquisition Proposal or resolved to do any of the foregoing, or (ii) the Company fails to call and hold the Company Stockholders Meeting within 60 days after the date on which the SEC shall clear (whether orally or in writing) the Proxy Statement/Prospectus and, if required by the SEC as a condition to the mailing of the Proxy Statement/Prospectus, the date of effectiveness of the Company Registration Statement;

(h) by the Company if the Board of Directors of the Company determines in good faith that a Company Acquisition Proposal constitutes a Company Superior Proposal, except that the Company may not terminate this Agreement pursuant to this Section 9.1(h) unless and until (i) three business days have elapsed following delivery to Verizon of a written notice of such determination by the Board of Directors of the Company and during such three business day period the Company (x) informs Verizon of the terms and conditions of the Company Acquisition Proposal and identity of the person making the Company Acquisition Proposal and (y) otherwise cooperates in good faith with Verizon with respect thereto with the intent of enabling Verizon and Spinco to agree to a modification of the terms and conditions of this Agreement so that the transactions contemplated hereby (as so modified) may be effected, (ii) at the end of such three business day period the Board of Directors of the Company continues to determine in good faith that the Company Acquisition Proposal constitutes a Company Superior Proposal, (iii) simultaneously with such termination the Company enters into a definitive acquisition, merger or similar agreement to effect the Company Superior Proposal and (iv) the Company pays to Verizon the amount specified and within the time period specified in Section 9.3;

(i) by the Company, by written notice to Verizon given by the Company within 15 days of the later to occur of the delivery to the other party, with respect to any fiscal quarter in 2007, of (x) any quarterly financial information delivered by Verizon pursuant to Section 7.18(c) and (y) any quarterly financial information delivered by the Company pursuant to

Section 7.18(d), if such financial information delivered by Verizon indicates that Spinco Adjusted EBITDA as of the end of such quarter is less than \$450,000,000; or

(j) by Verizon, by written notice to the Company given by Verizon within 15 days of the later to occur of the delivery to the other party, with respect to any fiscal quarter in 2007, of (x) any quarterly financial information delivered by Verizon pursuant to Section 7.18(c) and (y) any quarterly financial information delivered by the Company pursuant to Section 7.18(d), if such financial information delivered by the Company indicates that Company Adjusted EBITDA as of the end of such quarter is less than \$103,600,000.

9.2 Effect of Termination. In the event of termination of this Agreement pursuant to Section 9.1, this Agreement shall terminate (except for the Confidentiality Agreement referred to in Section 10.1, the provisions of Section 9.3 and ARTICLE XI, without any liability on the part of any party or its directors, officers or stockholders except as set forth in Section 9.3; provided, that nothing in this Agreement shall relieve any party of liability for fraud or willful breach of this Agreement or the Distribution Agreement prior to such termination.

9.3 Amounts Payable in Certain Circumstances.

(a) In the event that (i) the Company terminates this Agreement pursuant to Section 9.1(h), (ii) Verizon and Spinco terminate this Agreement pursuant to clause (i) of Section 9.1(g) or (iii) (A) any Person (other than Verizon, Spinco or any of their Affiliates) shall have made a Company Acquisition Proposal after the date hereof and prior to the Termination Date, and thereafter this Agreement is terminated by any party pursuant to Section 9.1(b) or by Verizon or Spinco pursuant to clause (ii) of Section 9.1(g) (and a Company Acquisition Proposal is outstanding at such time) or by any party pursuant to Section 9.1(f) (and a Company Acquisition Proposal shall have been publicly announced prior to the Company Stockholders' Meeting) and (B) within twelve months after the termination of this Agreement, any Company Acquisition shall have been consummated or any definitive agreement with respect to any Company Acquisition Proposal (other than, in each case, with Verizon, Spinco or any of their Affiliates) shall have been entered into, then the Company shall pay Verizon a fee, in immediately available funds, in the amount of \$23.3 million at the time of such termination, in the case of a termination described in clause (i) or (ii) above, or upon the occurrence of the earliest event described in clause (iii)(B), in the event of a termination described in clause (iii), and in each case the Company shall be fully released and discharged from any other liability or obligation resulting from or under this Agreement, except with respect to any fraud or willful breach of this Agreement; provided, however, that for purposes of Section 9.3(a) only, (i) all references to 15% in the definition of Company Acquisition shall be deemed to be references to 50% and (ii) clause (i) of the definition of Company Acquisition shall read as follows: "any merger, consolidation,



share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving the Company or any of its Significant Subsidiaries following which the stockholders of the Company or any such Significant Subsidiary immediately prior to such transactions (or series of transactions) do not hold and own greater than 60% of the issued and outstanding equity securities of the Company or such Significant Subsidiary (or the successor thereof), as the case may be”.

(b) In the event that this Agreement is terminated pursuant to Section 9.1(f), Section 9.1(g) or Section 9.1(h), the Company shall, in addition to any payment obligations under Section 9.3(a), five days following such termination, reimburse Verizon for all other out-of-pocket costs and expenses incurred in connection with this Agreement and the Transaction Agreements in an amount not to exceed \$7.5 million.

9.4 Amendment. This Agreement may be amended by Verizon, Spingo and the Company at any time before or after adoption of this Agreement by the stockholders of the Company; provided, however, that after such adoption, no amendment shall be made that by Law or in accordance with the rules of any relevant stock exchange or automated inter-dealer quotation system requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed by Verizon, Spingo and the Company.

9.5 Waivers. At any time prior to the Effective Time, Verizon and Spingo, on the one hand, and the Company, on the other hand, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or acts of Verizon and Spingo or the Company, as applicable; (ii) waive any inaccuracies in the representations and warranties of Verizon and Spingo or the Company, as applicable, contained herein or in any document delivered pursuant to this Agreement; and (iii) waive compliance with any of the agreements or conditions of Verizon and Spingo or the Company, as applicable, contained herein; provided, however, that no failure or delay by Verizon, Spingo or the Company in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of Verizon, Spingo or the Company to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

## ARTICLE X

### SURVIVAL; INDEMNIFICATION

10.1 Survival of Representations, Warranties and Agreements. The covenants and agreements that expressly state that they are to be performed following the Closing pursuant to the Distribution Agreement or this Agreement (including, without limitation, Sections 10.2 to 10.7 hereof) shall survive the Effective Time in accordance with their respective terms and all other covenants and agreements herein and therein shall

terminate and shall not survive the Closing. None of the representations or warranties in this Agreement or in any certificate or instrument delivered pursuant to this Agreement or any other covenant or agreement set forth herein shall survive the Effective Time. The Confidentiality Agreement shall survive the execution and delivery of this Agreement and any termination of this Agreement, and the provisions of the Confidentiality Agreement shall apply to all information and material furnished by any party or its representatives thereunder or hereunder.

## 10.2 Indemnification.

(a) If the Closing occurs, the Surviving Corporation, ILEC Spinco Subsidiary and Non-ILEC Spinco Subsidiary, jointly and severally, shall indemnify, defend and hold harmless (i) the Verizon Indemnitees from and against all Losses arising out of or due to the failure of any member of the Spinco Group (A) to timely pay or satisfy any Spinco Liabilities, or (B) to perform any of its obligations under this Agreement or the Distribution Agreement and (ii) Verizon and each Person, if any, who controls, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (any such person being hereinafter referred to as a “Controlling Person”), Verizon from and against, and pay or reimburse each of the foregoing for, all Losses, arising out of or resulting from, directly or indirectly, or in connection with any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into either of the Registration Statements or in the Proxy Statement/Prospectus (or any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Surviving Corporation shall not be responsible for information provided by Verizon as to itself and its Subsidiaries, including Spinco, specifically for inclusion in, or incorporation by reference into, any such Proxy Statement/Prospectus or the Registration Statements.

(b) If the Closing occurs, Verizon shall indemnify, defend and hold harmless (i) the Surviving Corporation Indemnitees from and against all Losses arising out of or due to the failure of any member of the Verizon Group (A) to timely pay or satisfy any Verizon Liabilities or (B) to perform any of its obligations under this Agreement or the Distribution Agreement and (ii) the Surviving Corporation and each Controlling Person of the Surviving Corporation from and against, and pay or reimburse each of the foregoing for, all Losses arising out of or resulting from, directly or indirectly, or in connection with any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statements or in the Proxy Statement/Prospectus (or any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but only with respect to information provided by Verizon as to

itself and its Subsidiaries, including Spinco, specifically for inclusion in, or incorporation by reference into, any such Proxy Statement/Prospectus or the Registration Statements.

(c) Notwithstanding anything to the contrary set forth herein, indemnification or other claims relating to any Transaction Agreement (other than the Distribution Agreement) or relating to any ongoing commercial agreement between any member of the Verizon Group and any member of the Spinco Group, shall be governed by the terms of such agreement and not by this Article X, and indemnification for all matters relating to Taxes shall be governed by terms, provisions and procedures of the Tax Sharing Agreement and not this Article X.

10.3 Definitions for Purposes of this Article.

(a) “Indemnification Payment” means any amount of Losses required to be paid pursuant to this Agreement;

(b) “Indemnitee” means any Person entitled to indemnification under this Agreement, either a Verizon Indemnitee or a Surviving Corporation Indemnitee as the case may be;

(c) “Indemnitor” means any person or entity required to provide indemnification under this Agreement; and

(d) “Losses” means any losses, liabilities, damages, deficiencies, costs and expenses (including reasonable out-of-pocket attorneys’ and consultants’ fees and expenses and including the reasonable costs and expenses of investigating and defending any indemnification claim), including all Taxes resulting from indemnification payments hereunder (1) reduced by the amount of insurance proceeds recovered from any Person with respect thereto (after deducting related costs and expenses); and (2) excluding any such losses, liabilities, damages, costs and expenses to the extent that the underlying liability or obligation is the result of any action taken or omitted to be taken by any Indemnitee.

10.4 Limitation on Claims for Indemnifiable Losses. Notwithstanding anything to the contrary contained herein:

(a) No claim may be asserted by any Spinco Indemnitee under this Article X arising from any failure to transfer any Spinco Asset to Spinco unless such claim is asserted, if at all, within 18 months from the Closing Date.

(b) No Indemnitor shall be liable to or obligated to indemnify any Indemnitee hereunder for any consequential, special, multiple, punitive or exemplary damages including, but not limited to, damages arising from loss or interruption of business, profits, business opportunities or goodwill, or any cost or expense related thereto, except

to the extent such damages are payable to or have been recovered by a third person and are the subject of a Third Party Claim for which indemnification is available under the express terms of this Article X.

(c) Verizon and the Company shall cooperate with each other with respect to resolving any claim or liability with respect to which one party is obligated to indemnify the other party (or its Affiliates) hereunder, including by making commercially reasonable efforts to mitigate the Losses and resolve any such claim or liability prior to initiating litigation.

#### 10.5 Defense of Claims.

(a) Third Party Claims. If any Indemnitee receives notice of the assertion of any claim or of the commencement of any action or proceeding by any entity that is not either a Surviving Corporation Indemnitee or a Verizon Indemnitee (each, a “Third Party Claim”) against such Indemnitee, with respect to which an Indemnitor is obligated to provide indemnification under this Agreement, the Indemnitee will give such Indemnitor prompt written notice thereof, but in any event not later than ten calendar days after receipt of notice of such Third Party Claim, provided, however, that the failure of an Indemnitee to notify the Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise). Upon receipt of notification of a Third Party Claim, the Indemnitor shall be entitled, upon written notice to the Indemnitee, to assume the investigation and defense thereof at such Indemnitor’s expense with counsel reasonably satisfactory to the Indemnitee, provided that the Indemnitor shall not have the right to assume the defense of any Third Party Claim in the event such Third Party Claim is primarily for injunctive relief or criminal penalty of the Indemnitee, and in any such case, the reasonable fees and expenses of counsel to the Indemnitee in connection with such Third Party Claim shall be considered “Losses” for purposes of this Agreement. Whether or not the Indemnitor elects to assume the investigation and defense of any Third Party Claim, the Indemnitee shall have the right to employ separate counsel and to participate in the investigation and defense thereof; provided, however, that the Indemnitee shall pay the fees and disbursements of such separate counsel unless (1) the employment of such separate counsel has been specifically authorized in writing by the Indemnitor; (2) the Indemnitor has failed to assume the defense of such Third Party Claim within 20 calendar days after receipt of notice thereof with counsel reasonably satisfactory to such Indemnitee; or (3) the named parties to the proceeding in which such claim, demand, action or cause of action has been asserted include both the Indemnitor and such Indemnitee and, in the reasonable judgment of counsel to such Indemnitee, there exists one or more good faith defenses that may be available to the Indemnitee that are in conflict with those available to the Indemnitor or that the Indemnitor and Indemnitee have actual material conflicting interests with respect to such claim, demand,

action or cause of action. Notwithstanding the foregoing, the Indemnitor shall not be liable for the fees and disbursements of more than one counsel for all Indemnitees in connection with any one proceeding or any similar or related proceedings arising from the same general allegations or circumstances. Without the prior written consent of an Indemnitee, which shall not be unreasonably withheld or delayed, the Indemnitor will not enter into any settlement of or consent to the entry of judgment in connection with any Third Party Claim that (i) would lead to liability or create any financial or other obligation on the part of the Indemnitee, (ii) does not contain, as an unconditional term thereof, the release of the Indemnitee from all liability in respect of such Third Party Claim or such Third Party Claim is not dismissed against the Indemnitee with prejudice and without the imposition of any financial or other obligation on the Indemnitee or (iii) admits the liability or fault of the Indemnitee (the “Settlement Requirements”). If a settlement offer solely for money damages (and otherwise satisfying the Settlement Requirements) is made to resolve a Third Party Claim and the Indemnitor notifies the Indemnitee in writing of the Indemnitor’s willingness to accept the settlement offer and pay the amount called for by such offer without reservation of any rights or defenses against the Indemnitee and if the Indemnitee fails to consent to such settlement offer within ten calendar days after its receipt of such notice, Indemnitee may continue to contest such claim, free of any participation by the Indemnitor, and the amount of any ultimate liability with respect to such Third Party Claim that the Indemnitor has an obligation to pay hereunder shall be limited to the lesser of (x) the amount of the settlement offer that the Indemnitee declined to accept plus the Losses of the Indemnitee relating to such Third Party Claim through the date of its rejection of the settlement offer or (y) the aggregate Losses of the Indemnitee with respect to such claim. The party controlling any defense shall keep the other party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider in good faith all reasonable recommendations made by the other party with respect thereto.

(b) Direct Claims. Any claim by an Indemnitee for Losses that do not result from a Third Party Claim (each, a “Direct Claim”) shall be asserted by giving the Indemnitor prompt written notice thereof, but in any event not later than 60 calendar days after the incurrance thereof or such Indemnitee’s actual knowledge of such event (whichever is later), provided, however, that the failure of an Indemnitee to notify the Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise), and the Indemnitor will have a period of 30 calendar days within which to respond in writing to such Direct Claim. If the Indemnitor does not so respond within such 30 calendar day period, the Indemnitor will be deemed to have accepted such claim. If the Indemnitor rejects such claim, the Indemnitee will be free to pursue such remedies as may be available to the Indemnitee on the terms and subject to the provisions of this Article X.

10.6 Subrogation. If after the making of any Indemnification Payment, the amount of the Losses to which such payment relates is reduced by recovery, settlement or otherwise under any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, the amount of such reduction (less any costs, expenses, premiums or Taxes incurred in connection therewith) as and when actually received by the Indemnitee will promptly be repaid by the Indemnitee to the Indemnitor. Upon making any Indemnification Payment, the Indemnitor will, to the extent of such Indemnification Payment, be subrogated to all rights of the Indemnitee against any third party that is not an Affiliate of the Indemnitee in respect of the Losses to which the Indemnification Payment relates; provided that (a) the Indemnitor shall then be in compliance with its obligations under this Agreement in respect of such Losses, and (b) until the Indemnitee recovers full payment of its Losses, all claims of the Indemnitor against any such third party on account of said Indemnification Payment will be subrogated and subordinated in right of payment to the Indemnitee's rights against such third party. Without limiting the generality or effect of any other provision of this Article X, each such Indemnitee and Indemnitor will duly execute upon request all instruments reasonably necessary to evidence and perfect the above-described subrogation and subordination rights.

10.7 Other Rights and Remedies. Following the Closing, the sole and exclusive remedy at law for Verizon or the Company and all Affiliates thereof for any claim (whether such claim is framed in tort, contract or otherwise), arising out of a breach of any representation, warranty, covenant or other agreement in this Agreement other than a claim for fraud or willful misconduct under this Agreement or the Distribution Agreement, shall be a claim by Verizon or the Company for indemnification pursuant to this Article X.

## ARTICLE XI

### MISCELLANEOUS

11.1 Expenses. Except as expressly set forth in any Transaction Agreement, each party shall bear its own fees and expenses in connection with the transactions contemplated hereby; provided, however, that:

- (i) Verizon shall on a monthly basis between the date hereof and the Closing (or the earlier termination hereof) reimburse the Company for 60.421% of Qualified Transition Expenses, such reimbursement to be made within 30 calendar days from the date upon which an invoice is delivered by the Company to Verizon, together with reasonable supporting documentation; provided further that reimbursement for such Qualified Transition Expenses shall not exceed \$40 million in the aggregate and if the Merger is consummated, the Surviving Corporation shall reimburse Verizon for certain out of pocket costs as contemplated by clause (ii) below, other than the amounts referred to in this

clause (i), the audit fees referred to in Section 7.18(a), the Spinco Debt Expenses (as defined in the Distribution Agreement), and the fees and expenses of Verizon's financial and legal advisors,

(ii) if the Merger is consummated, the Surviving Corporation shall bear and be responsible, and shall indemnify and reimburse Verizon and the Verizon Subsidiaries for, (A) all Merger Transfer Taxes and (B) all Distribution Transfer Taxes and all recording, application and filing fees associated with the transfer of the Spinco Assets in connection with the transactions contemplated by the Distribution Agreement (including without limitation, the transfer of Spinco Owned Real Property and Real Property Interests such as railroad crossing rights and easements), such amount in the case of clause (B) not to exceed \$3 million, with Verizon to bear and be responsible for and to reimburse the Surviving Corporation for all such amounts in excess of \$3 million (it being agreed that the Surviving Corporation reasonably will consult with Verizon from time to time regarding such expenditures and take reasonable efforts to seek to minimize such amounts);

(iii) if the Debt Exchange is consummated, Verizon shall pay and be responsible for any fees and reimbursable expenses of the counterparties to such Debt Exchange, provided that the Surviving Corporation shall be responsible for any other costs that may be incurred in connection with issuing the Spinco Securities and consummating the Debt Exchange, including any printing costs, trustees fees and roadshow expenses (but excluding, for the avoidance of doubt, the costs of legal and financial advisors to Verizon); and

(iv) Verizon shall pay the fees and reimbursable expenses of the independent valuation firm referred to in Section 8.1(l) that are incurred in connection with the preparation and delivery of the Solvency Opinion.

If any party pays an amount that is the responsibility of another party pursuant to this Section 11.1, such party shall be promptly reimbursed by the party responsible for such amount.

11.2 Notices. Any notice required to be given hereunder shall be sufficient if in writing, and sent by facsimile transmission (provided that any notice received by facsimile transmission or otherwise at the addressee's location on any business day after 5:00 p.m. (addressee's local time) shall be deemed to have been received at 9:00 a.m. (addressee's local time) on the next business day), by reliable overnight delivery service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), addressed as follows:

If to Spinco (prior to the Effective Time) or Verizon, to:

Verizon Communications Inc.  
140 West Street  
New York, NY 10007  
Facsimile: (908) 766-3813  
Attn: Marianne Drost, Esq.  
Senior Vice President, Deputy General Counsel and  
Corporate Secretary

and

Verizon Communications Inc.  
One Verizon Way  
Basking Ridge, NJ 07920-1097  
Facsimile: (908) 696-2068  
Attn: Dale Chamberlain, Esq.

With a copy to (which shall not constitute notice):

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022  
Facsimile: (212) 909-6836  
Attn: Kevin M. Schmidt

If to the Company, to:

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Peter G. Nixon  
Chief Operating Officer

and

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Shirley J. Linn  
Executive Vice President and General Counsel

With a copy to (which shall not constitute notice):



Paul, Hastings, Janofsky & Walker LLP  
75 East 55th Street  
New York, NY 10022  
Facsimile No.: (212) 230-7700  
Attn: Thomas E. Kruger

or to such other address as any party shall specify by written notice so given, and such notice shall be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed. Any party to this Agreement may notify any other party of any changes to the address or any of the other details specified in this paragraph; provided that such notification shall only be effective on the date specified in such notice or five business days after the notice is given, whichever is later. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver. Verizon and Spinco shall provide to the Company in a manner consistent with this Section 11.2 copies of any notices that either may deliver to the other under the Distribution Agreement.

### 11.3 Interpretation; Consent.

(a) When a reference is made in this Agreement to an Article or Section, such reference shall be to an Article or Section of this Agreement unless otherwise indicated. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a person are also to its permitted successors and assigns.

(b) Each of the parties has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any of the

provisions of this Agreement. For avoidance of doubt, “consistent with past practice” when used with respect to Spinco or any of its Subsidiaries shall mean the past practice of Verizon and its Subsidiaries with respect to the conduct of the Spinco Business.

(c) Any matter disclosed in any particular Section or Subsection of the Spinco Disclosure Letter, the Verizon Disclosure Letter or the Company Disclosure Letter shall be deemed to have been disclosed in any other Section or Subsection of this Agreement, with respect to which such matter is relevant so long as the applicability of such matter to such Section or Subsection is reasonably apparent on its face.

(d) Unless otherwise expressly stated in this Agreement, any right of consent, approval or election given to any party hereto may be exercised by such party in its sole discretion.

11.4 Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance, shall be declared judicially to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, it being the intent and agreement of the parties hereto that this Agreement shall be deemed amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent or, if such modification is not possible, by substituting therefor another provision that is legal and enforceable and that achieves the same objective.

11.5 Assignment; Binding Effect. Neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of all of the other parties, and any purported assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

11.6 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than Verizon, Spinco and the Company and their respective successors and permitted assigns) any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, and no Person (other than as so specified) shall be deemed a third party beneficiary under or by reason of this Agreement.

11.7 Limited Liability. Notwithstanding any other provision of this Agreement, no stockholder, director, officer, Affiliate, agent or representative of any of the parties hereto, in its capacity as such, shall have any liability in respect of or relating to the covenants, obligations, representations or warranties of such party under this Agreement or in respect of any certificate delivered with respect hereto or thereto and, to the fullest extent legally permissible, each of the parties hereto, for itself and its

stockholders, directors, officers and Affiliates, waives and agrees not to seek to assert or enforce any such liability that any such Person otherwise might have pursuant to applicable Law.

11.8 Entire Agreement. This Agreement (together with the other Transaction Agreements, the Confidentiality Agreement, the exhibits and the Disclosure Letters and the other documents delivered pursuant hereto) constitutes the entire agreement of all the parties hereto and supersedes all prior and contemporaneous agreements and understandings, both written and oral, between or among the parties, or any of them, with respect to the subject matter hereof.

11.9 Governing Law. Except to the extent relating to the consummation of the Merger, which shall be consummated in accordance with the DGCL, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the conflicts of law principles thereof.

11.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement binding on the parties hereto, notwithstanding that not all parties are signatories to the original or the same counterpart.

11.11 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF THE PARTIES HERETO IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT HEREOF.

11.12 JURISDICTION; ENFORCEMENT. THE PARTIES AGREE THAT IRREPARABLE DAMAGE WOULD OCCUR IN THE EVENT THAT ANY OF THE PROVISIONS OF THIS AGREEMENT WERE NOT PERFORMED IN ACCORDANCE WITH THEIR SPECIFIC TERMS OR WERE OTHERWISE BREACHED. IT IS ACCORDINGLY AGREED THAT THE PARTIES SHALL BE ENTITLED TO AN INJUNCTION OR INJUNCTIONS TO PREVENT BREACHES OF THIS AGREEMENT AND TO ENFORCE SPECIFICALLY THE TERMS AND PROVISIONS OF THIS AGREEMENT IN ANY COURT OF THE UNITED STATES LOCATED IN THE STATE OF NEW YORK, THIS BEING IN ADDITION TO ANY OTHER REMEDY TO WHICH THEY ARE ENTITLED AT LAW OR IN EQUITY. IN ADDITION, EACH OF THE PARTIES HERETO (A) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF ANY FEDERAL COURT LOCATED IN THE STATE OF NEW YORK IN THE EVENT ANY DISPUTE ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (B) AGREES THAT IT WILL NOT

ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT AND (C) AGREES THAT IT WILL NOT BRING ANY ACTION RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY COURT OTHER THAN A FEDERAL COURT SITTING IN THE STATE OF NEW YORK.

11.13 Knowledge Convention. As used herein, the phrase “Spinco’s Knowledge” and similar phrases shall mean all matters actually known to the following individuals: Stephen E. Smith, Ellen Corcoran, Dale Chamberlain, Leonard Suchyta, David Feldman, Bruce Beausejour and Karen Zacharia. As used herein, the phrase “Company’s Knowledge” and similar phrases shall mean all matters actually known to the following individuals: Eugene B. Johnson, Peter G. Nixon, Walter E. Leach, Jr., John Crowley and Shirley J. Linn.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

VERIZON COMMUNICATIONS INC.

By: \_\_\_\_\_  
Name:  
Title:

NORTHERN NEW ENGLAND  
SPINCO INC.

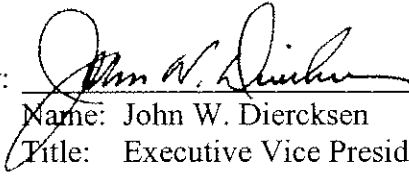
By: \_\_\_\_\_  
Name:  
Title:

FAIRPOINT COMMUNICATIONS, INC.

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

By:   
Name: John W. Diercks  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

**FAIRPOINT COMMUNICATIONS,  
INC.**


By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By:   
Name: Stephen E. Smith  
Title: Vice President

**FAIRPOINT COMMUNICATIONS,  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

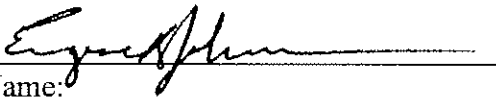
**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

**FAIRPOINT COMMUNICATIONS,  
INC.**

By:  \_\_\_\_\_  
Name:  
Title:



**NH Docket DT 07-011**  
**Exhibit SES-2**  
**Distribution Agreement 1-15-2007**

CORRECTED EXECUTION COPY

DISTRIBUTION AGREEMENT  
BY AND BETWEEN  
VERIZON COMMUNICATIONS INC.  
AND  
NORTHERN NEW ENGLAND SPINCO INC.  
DATED AS OF JANUARY 15, 2007

ARTICLE I	Definitions.....	3
Section 1.1	General.....	3
Section 1.2	References to Time .....	17
ARTICLE II	The Contribution.....	17
Section 2.1	Transfers of Spinco Assets and Spinco Liabilities. ....	17
Section 2.2	Conveyancing and Assumption Agreements .....	18
Section 2.3	Certain Resignations .....	18
Section 2.4	Special Dividend; New Financing; Debt Exchange.....	19
ARTICLE III	Conditions .....	20
Section 3.1	Conditions to the Distribution.....	20
Section 3.2	Waiver of Conditions.....	21
ARTICLE IV	The Distribution .....	21
Section 4.1	Record Date and Distribution Date.....	21
Section 4.2	Spinco Reclassification.....	21
Section 4.3	The Agent.....	21
Section 4.4	Delivery of Shares to the Agent.....	21
Section 4.5	The Distribution .....	22
ARTICLE V	Post Closing Adjustments .....	22
Section 5.1	Post-Closing Adjustments.....	22
ARTICLE VI	Transaction Agreements .....	24
Section 6.1	Transaction Agreements .....	24
ARTICLE VII	Additional Covenants.....	24
Section 7.1	Survival; Exclusive Remedy.....	24
Section 7.2	Mutual Release.....	25
Section 7.3	Intercompany Agreements; Intercompany Accounts.....	26
Section 7.4	Guarantee Obligations and Liens.....	26
Section 7.5	Insurance.....	27
Section 7.6	Subsequent Transfers .....	28
Section 7.7	Further Assurances.....	29
ARTICLE VIII	Access to Information .....	29
Section 8.1	Provision of Information.....	29
Section 8.2	Privileged Information.....	30
Section 8.3	Production of Witnesses .....	31
Section 8.4	Retention of Information.....	31
Section 8.5	Confidentiality .....	32
Section 8.6	Cooperation with Respect to Government Reports and Filings.....	32
ARTICLE IX	No Representations or Warranties .....	33
Section 9.1	No Representations or Warranties .....	33

ARTICLE X	Miscellaneous .....	33
Section 10.1	Complete Agreement .....	33
Section 10.2	Expenses .....	33
Section 10.3	Governing Law .....	34
Section 10.4	Notices .....	34
Section 10.5	Amendment and Modification .....	34
Section 10.6	Successors and Assigns; No Third-Party Beneficiaries.....	34
Section 10.7	Counterparts .....	34
Section 10.8	Interpretation.....	34
Section 10.9	Severability .....	34
Section 10.10	References; Construction .....	35
Section 10.11	Termination.....	35
Section 10.12	Consent to Jurisdiction and Service of Process .....	35
Section 10.13	Waivers .....	36
Section 10.14	Waiver of Jury Trial.....	36
Exhibit A	Form of Idearc Agreements	
Exhibit B	Form of Intellectual Property Agreement	
Exhibit C	Terms of Spinco Securities	

## DISTRIBUTION AGREEMENT

This DISTRIBUTION AGREEMENT (this “Agreement”), dated as of January 15, 2007, by and between Verizon Communications Inc., a Delaware corporation (“Verizon”), and Northern New England Spinco Inc., a Delaware corporation (“Spinco”).

### RECITALS

WHEREAS, Spinco is a newly-formed, wholly-owned, direct Subsidiary of Verizon;

WHEREAS, Verizon, Spinco and FairPoint Communications, Inc., a Delaware corporation (the “Company”), have entered into an Agreement and Plan of Merger, of even date herewith (as such agreement may be amended from time to time the “Merger Agreement”), pursuant to which, at the Effective Time (as defined in the Merger Agreement), Spinco will merge with and into the Company, with the Company continuing as the surviving corporation (the “Merger”);

WHEREAS, this Agreement and the other Transaction Agreements (as defined herein) set forth certain transactions that are conditions to consummation of the Merger;

WHEREAS, prior to the Distribution (as defined herein) upon the terms and subject to the conditions set forth in this Agreement, Verizon will, pursuant to a series of restructuring transactions that will occur prior to the Distribution, (a) transfer or cause to be transferred by one or more of its Subsidiaries to the Non-ILEC Spinco Subsidiary (as defined herein) all of the ILEC Spinco Assets (as defined herein), such transfer to be subject to the assumption by such entity of the Non-ILEC Spinco Liabilities (as defined herein) and (b) transfer or cause to be transferred by Verizon New England Inc., a New York corporation (“Verizon New England”) to the ILEC Spinco Subsidiary (as defined herein) all of the ILEC Spinco Assets (as defined herein), subject to the assumption by such entity of the ILEC Spinco Liabilities (as defined herein), and shall transfer the ILEC Spinco Subsidiary (after receiving its stock from its Subsidiaries in a series of internal distributions) to Spinco;

WHEREAS, in exchange for the transfers to the Spinco Subsidiaries contemplated by the immediately preceding recital, Spinco will upon the terms and subject to the conditions set forth in this Agreement (a) distribute to Verizon the Spinco Securities (as defined herein) and (b) pay to Verizon the Special Dividend (as defined herein), all upon the terms and subject to the conditions set forth herein (the transactions described in this recital and in the immediately preceding recital, collectively, the “Contribution”);

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, Verizon will distribute (the “Distribution”) all of the issued and outstanding shares of common stock, par value \$.10 per share, of Spinco (“Spinco Common Stock”) to the holders as of the Record Date (as defined herein) of the outstanding shares of common stock, par value \$.10 per share, of Verizon (“Verizon Common Stock”) and, to the extent applicable, to such persons who received Verizon Common Stock pursuant to the exercise of Record Date Options (as defined below);

WHEREAS, the parties to this Agreement intend that (i) the First Internal Spinoff (as defined in the Merger Agreement) qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”) and a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (ii) the Second Internal Spinoff (as defined in the Merger Agreement) qualify as a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (iii) the Contribution, together with the Distribution, qualify as a tax-free reorganization under Section 368(a)(1)(D) of the Code; (iv) the Distribution qualify as a distribution of Spinco stock to Verizon stockholders eligible for nonrecognition under Sections 355(a) and 361(c) of the Code, (v) no gain or loss be recognized by Verizon for federal income tax purposes in connection with the receipt of the Spinco Securities (as defined herein) or the consummation of the Debt Exchange (as defined herein); (vi) the Special Dividend qualify as money transferred to creditors or distributed to shareholders in connection with the reorganization within the meaning of Section 361(b)(1) of the Code, to the extent that Verizon distributes the Special Dividend to its creditors and/or shareholders in connection with the Contribution, (vii) the Merger qualify as a tax-free reorganization pursuant to Section 368 of the Code; and (viii) no gain or loss be recognized as a result of such transactions for federal income tax purposes by any of Verizon, Spinco, and their respective stockholders and Subsidiaries (except to the extent of cash received in lieu of fractional shares); and

WHEREAS, the parties to this Agreement intend that throughout the internal restructurings taken in contemplation of this Agreement, including the Internal Spinoffs (as defined in the Merger Agreement), Internal Restructurings (as defined in the Merger Agreement), the Contribution, and the Distribution, the Spinco Employees shall maintain uninterrupted continuity of employment, compensation and benefits, and also for union represented employees, uninterrupted continuity of representation for purposes of collective bargaining and uninterrupted continuity of coverage under their collective bargaining agreements, as described in the Employee Matters Agreement.

NOW, THEREFORE, in consideration of these premises, and of the representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I

### Definitions

Section 1.1 General. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Affiliate” means a Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person. The term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interest, by contract or otherwise; provided, however, that for purposes of this Agreement, (i) from and after the Distribution Date, no member of either Group shall be deemed an Affiliate of any member of the other Group and (ii) none of Cellco Partnership or any of its Subsidiaries shall be deemed Affiliates or Subsidiaries of Verizon.

“Agent” means the distribution agent agreed upon by Verizon and the Company, to be appointed by Verizon to distribute the shares of Spinco Common Stock pursuant to the Distribution.

“Agreement” has the meaning set forth in the preamble.

“Alternative Financing” has the meaning set forth in the Merger Agreement.

“Applicable Rate” means the three-month LIBOR rate published on Telerate Page 3750 as of 11:00 a.m. London time, on the date which is two days prior to the date such rate is determined, less 10 basis points, such rate to be reset every 90 days.

“Asset” means any and all assets, properties and rights, wherever located, whether real, personal or mixed, tangible or intangible, including the following (in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person): (i) notes and accounts and notes receivable (whether current or non-current); (ii) Cash and Cash Equivalents, debentures, bonds, notes, evidences of indebtedness, certificates of interest or participation in profit-sharing agreements, collateral-trust certificates, preorganization certificates or subscriptions, transferable shares, investment contracts, letters of credit and performance and surety bonds, voting-trust certificates, puts, calls, straddles, options and other securities of any kind, and all loans, advances or other extensions of credit or capital contributions to any other Person; (iii) rights under leases (including real property leases), contracts, licenses, permits, distribution arrangements, sales and purchase

agreements, joint operating agreements, other agreements and business arrangements; (iv) owned real property; (v) leased real property, fixtures, trade fixtures, machinery, equipment (including oil and gas, transportation and office equipment), tools, dies and furniture; (vi) office supplies, production supplies, spare parts, other miscellaneous supplies and other tangible property of any kind, including all antennas, apparatus, cables, electrical devices, fixtures, equipment, furniture, office equipment, broadcast towers, motor vehicles and other transportation equipment, special and general tools, test devices, transmitters and other tangible personal property; (vii) computers and other data processing equipment and software; (viii) raw materials, work-in-process, finished goods, consigned goods and other inventories; (ix) prepayments or prepaid expenses; (x) claims, causes of action, rights under express or implied warranties, rights of recovery and rights of setoff of any kind; (xi) Information; (xii) advertising materials and other printed or written materials; (xiii) goodwill as a going concern and other intangible properties; (xiv) employee contracts, including any rights thereunder to restrict an employee from competing in certain respects; (xv) licenses and authorizations issued by any governmental authority; and (xvi) Real Property Interests.

“Backstop Facility Commitment” has the meaning set forth in the Merger Agreement.

“Blended Customer Contracts” means billing and collection Contracts, operator service Contracts, directory assistance Contracts and Contracts with end user customers, in each case to which one of the Contributing Companies or another Subsidiary of Verizon is a party, and in each case which provide for such customers to receive one or more products and/or services that are offered by the Spinco Business as well as one or more products and/or services that are offered by the Verizon Business, other than those Contracts listed on Section 1.1(a) of the Disclosure Letter.

“Business” means the Spinco Business or the Verizon Business, as the case may be.

“Business Day” means any day other than a Saturday, Sunday or a day on which banking institutions in the City of Charlotte, North Carolina or the City of New York, New York are authorized or obligated by law or executive order to close.

“Cash and Cash Equivalents” means all cash, cash equivalents, including certificates of deposit or bankers’ acceptances maturing within one year from the date of acquisition thereof, marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or an agency thereof, and investments in money market funds and other liquid investments, including all deposited but uncleared bank deposits.

“Claims Made Policies” has the meaning set forth in Section 7.5(a).



“Closing Date” has the meaning set forth in the Merger Agreement.

“Closing Statement” has the meaning set forth in Section 5.1(a).

“Code” has the meaning set forth in the Recitals.

“Commitment Letter” has the meaning set forth in the Merger Agreement.

“Company” has the meaning set forth in the Recitals.

“Company Consent” means the written consent of the Company, which consent shall not be unreasonably withheld, conditioned or delayed.

“Contract” means any contract, agreement or binding arrangement or understanding, whether written or oral and whether express or implied.

“Contributing Companies” means Verizon New England, NYNEX Long Distance Company, Bell Atlantic Communications Inc., Verizon Select Services Inc., Verizon Internet Services Inc., and, any Subsidiary of Verizon that employs Continuing Employees (as defined in the Merger Agreement) as of the Closing Date.

“Contribution” has the meaning set forth in the Recitals.

“Current Assets” means total current assets of Spinco and the Spinco Subsidiaries, determined in accordance with the last sentence of Section 5.1(a), as of the opening of business on the Distribution Date.

“Current Liabilities” means the total current liabilities of Spinco and the Spinco Subsidiaries, determined in accordance with the last sentence of Section 5.1(a), as of the opening of business on the Distribution Date, but excluding (i) the current portion of any Indebtedness and excluding all Spinco Debt Expenses and (ii) for the avoidance of doubt, any amounts that are the responsibility of the Surviving Corporation pursuant to Section 11.1 of the Merger Agreement.

“Debt Exchange” has the meaning set forth in Section 2.4(d)

“Disclosure Letter” means the schedule prepared and delivered by Verizon to Spinco as of the date of this Agreement.

“Dispute Resolution Request” has the meaning set forth in Section 5.1(c).

“Distribution” has the meaning set forth in the Recitals.

“Distribution Date” means the date that the Distribution shall become effective.

“Distribution Date Spinco Indebtedness” means the aggregate amount of Indebtedness of Spinco and its Subsidiaries as of the opening of business on the Distribution Date, calculated pro forma for the Contribution.

“Distribution Date Working Capital” means the amount, if any, by which Current Assets exceeds Current Liabilities (or, if Current Liabilities exceeds Current Assets, the amount of such excess expressed as a negative number) as of the opening of business on the Distribution Date prior to the application of purchase accounting entries to the Company’s opening balance sheet.

“Effective Time” has the meaning set forth in the Merger Agreement.

“Election” has the meaning set forth in Section 2.4(e).

“Employee Matters Agreement” means the Employee Matters Agreement entered into among Verizon, Spinco and the Company on the date hereof, as such agreement may be hereafter amended from time to time.

“Excluded Contract” means (i) any Contract entered into by Verizon or any Subsidiary of Verizon (other than Spinco or a Spinco Subsidiary), on the one hand, with a non-Affiliate of Verizon, on the other hand, which is used or offered in the conduct of the Spinco Business as well as the Verizon Business, other than any Blended Customer Contract and (ii) any Contract entered into solely between or among Verizon and/or Affiliates of Verizon, other than the Transferred Affiliate Arrangements, including, in each case, those Contracts listed in Section 1.1(b) of the Disclosure Letter.

“Final Closing Statement” has the meaning set forth in Section 5.1(c).

“Final Distribution Date Working Capital” has the meaning set forth in Section 5.1(d).

“GAAP” means United States generally accepted accounting principles.

“Governmental Authority” has the meaning set forth in the Merger Agreement.

“Group” means the Verizon Group or the Spinco Group, as the case may be.

“Idearc Agreements” means the Publishing Agreement, the Non-competition Agreement and the Branding Agreement, each to be entered into between Idearc Media Inc., a Delaware corporation, and Spinco and such Subsidiaries of Spinco as are designated by Verizon prior to the Distribution (in consultation with the Company), each in the form attached hereto as Exhibits A-1, A-2 and A-3.

“Indebtedness” means, with respect to Spinco and the Spinco Subsidiaries, all indebtedness for borrowed money, including the aggregate principal amount thereof, and any accrued interest thereon.

“Identified Persons” has the meaning set forth in the Merger Agreement.

“ILEC” means an incumbent local exchange carrier.

“ILEC Spinco Assets” means Spinco Assets which are subject to regulations applicable to ILECs promulgated by one or more of the State of Vermont Public Service Board, the State of Maine Public Utilities Commission or the New Hampshire Public Utilities Commission.

“ILEC Spinco Liabilities” means Spinco Liabilities that arise from or relate to ILEC Spinco Assets.

“ILEC Spinco Subsidiary” means Northern New England Telephone Operations Inc., a newly formed Delaware corporation.

“Information” means all lists of customers, records pertaining to customers and accounts, copies of Contracts, personnel records, lists and records pertaining to customers, suppliers and agents, and all accounting and other books, records, ledgers, files and business records, data and other information of every kind (whether in paper, microfilm, computer tape or disc, magnetic tape or any other form).

“Intellectual Property Agreement” means the Intellectual Property Agreement to be entered into among Verizon and its Affiliates and Spinco and its Affiliates, in the form of Exhibit B hereto.

“Intellectual Property Assets” means all “Statutory Intellectual Property” and “Non-Statutory Intellectual Property”, as each such term is defined in the Intellectual Property Agreement.

“Leased Real Property” means all leasehold or subleasehold estates and other rights of Verizon or one of its Affiliates to use or occupy any land, buildings or structures located in the Territory and used primarily in the conduct of the Spinco Business, including those listed in Section 1.1(c) of the Disclosure Letter.

“Liability” or “Liabilities” means all debts, liabilities and obligations (including those arising under contracts) whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and whether or not the same would properly be reflected on a balance sheet. “Liabilities” shall not include (a) any liabilities in respect of any Intellectual Property, (b) any liabilities for or in respect of Taxes, which shall be governed solely by the Tax Sharing

Agreement and, to the extent applicable, the Merger Agreement or (c) any liabilities for or in respect of any benefit plans, programs, agreements, and arrangements, which shall be governed exclusively by the Employee Matters Agreement and, to the extent applicable, the Merger Agreement.

“Litigation Matters” means all pending or threatened litigation, investigations, claims or other legal matters that have been or may be asserted against, or otherwise adversely affect, Verizon and/or Spinco (or members of either Group).

“Merger” has the meaning set forth in the Recitals.

“Merger Agreement” has the meaning set forth in the Recitals.

“New Financing” has the meaning set forth in the Merger Agreement.

“Non-ILEC Spinco Assets” means Spinco Assets other than ILEC Spinco Assets.

“Non-ILEC Spinco Liabilities” means Spinco Liabilities other than ILEC Spinco Liabilities.

“Non-ILEC Spinco Subsidiary” means Enhanced Communications of Northern New England Inc., a newly-formed Delaware corporation.

“Occurrence Basis Policies” has the meaning set forth in Section 7.5(a).

“Owned Real Property” means all land in the Territory that is owned by Verizon or one of its Affiliates and used primarily in the conduct of the Spinco Business, together with all buildings, structures, improvements and fixtures located thereon, subject to all easements and other rights and interests appurtenant thereto, including those listed in Section 1.1(d) of the Disclosure Letter.

“Person” or “person” means a natural person, corporation, company, partnership, limited partnership, limited liability company, or any other entity, including a Governmental Authority.

“Policies” means all insurance policies, insurance contracts and claim administration contracts of any kind of Verizon and its Subsidiaries (including members of the Spinco Group) and their predecessors which were or are in effect at any time at or prior to the Distribution Date, including but not limited to commercial general liability, automobile, workers’ compensation, excess and umbrella, aircraft, crime, property and business interruption, directors’ and officers’ liability, fiduciary liability, employment practices liability, errors and omissions, special accident, environmental, inland and marine, and captive insurance company arrangements, together with all rights, benefits and privileges thereunder.

“Privileged Information” means with respect to either Group, Information regarding a member of such Group, or any of its operations, Assets or Liabilities (whether in documents or stored in any other form or known to its employees or agents) that is or may be protected from disclosure pursuant to the attorney-client privilege, the work product doctrine or another applicable privilege, that a member of the other Group may come into possession of or obtain access to pursuant to this Agreement or otherwise.

“Real Property Interests” means all easements, rights of way, and licenses (whether as licensee or licensor) in the real property that is used primarily in the conduct of the Spinco Business, and excluding all Owned Real Property and property and interests subject to Real Property Leases.

“Real Property Leases” means all leases, subleases, concessions and other agreements (written or oral) pursuant to which any Leased Real Property is held, including the right to all security deposits and other amounts and instruments deposited thereunder.

“Reclassification” has the meaning set forth in Section 4.2.

“Record Date” means the close of business on the date to be determined by the Board of Directors of Verizon as the record date for determining stockholders of Verizon entitled to participate in the Distribution, which date shall be a Business Day preceding the day of the Effective Time.

“Record Date Options” has the meaning set forth in the Employee Matters Agreement.

“Representative” means with respect to any Person, any of such Person’s directors, managers or persons acting in a similar capacity, officers, employees, agents, consultants, financial and other advisors, accountants, attorneys and other representatives.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, together with the rules and regulations of the SEC promulgated thereunder.

“Special Dividend” means a dividend in an amount to be set forth in a certificate delivered by Verizon to Spinco, with a copy to the Company, no later than 30 days prior to the Distribution Date, which amount shall not exceed Verizon’s estimate of its tax basis in Spinco.

“Spinco” has the meaning set forth in the preamble; provided, that with respect to any period following the Effective Time, all references to Spinco herein shall be deemed to be references to the Surviving Corporation.

“Spinco Assets” means, subject to Section 2.1(c), collectively:

(i) all of the right, title and interest of Verizon and its Subsidiaries in all Assets that are primarily used or held for use in, or that primarily arise from, the conduct of the Spinco Business, including:

(A) those set forth on the Spinco Interim Balance Sheet (after giving effect for this purpose to any exclusion of Assets resulting from application of the principles, methodologies and policies set forth in Section 5.1 of the Disclosure Letter) to the extent held on the Distribution Date;

(B) all Owned Real Property and all Leased Real Property, together with all buildings, towers, facilities and other structures and improvements located thereon;

(C) all Real Property Interests;

(D) Telephone Plant; and

(E) Contracts, including the Contracts listed in Section 1.1(g) of the Disclosure Letter;

(ii) all other Assets of Spinco and the Spinco Subsidiaries to the extent specifically assigned to any member of the Spinco Group pursuant to this Agreement or any other Transaction Agreement;

(iii) the capital stock of each Spinco Subsidiary (it being agreed that the physical certificates representing such capital stock shall be delivered to Spinco at the closing of the Merger by Verizon no later than the Distribution Date);

(iv) all rights of the Contributing Companies in respect of the Transferred Affiliate Arrangements;

(v) those rights in the Blended Customer Contracts as are allocated to Spinco as contemplated by Section 7.8(e) of the Merger Agreement; and

(vi) any additional Assets set forth on Section 1.1(e) of the Disclosure Letter; provided, that in no event will Spinco Assets include:

(A) any Intellectual Property Asset (except to the extent specified in a Transaction Agreement);

(B) any Verizon Assets;

(C) any Assets of Verizon Business Global LLC, f/k/a MCI, LLC, which is the successor to the business of MCI, Inc., and direct and indirect subsidiaries of Verizon Business Global LLC;

(D) any Assets of Verizon Network Integration Corp.;

(E) any Assets of Verizon Federal Inc.;

(F) any Assets of Federal Network Systems LLC;

(G) any Assets of Verizon Global Networks Inc.;

(H) any Assets of Verizon Select Services Inc., other than Assets that constitute customer relationships or Contracts that relate solely to the Spinco Business or are referred to in clause (v) above, including, for the avoidance of doubt, the Verizon Select Services Inc. customer relationships managed by Verizon Business Global LLC or its subsidiaries;

(I) any Assets of Cellco Partnership (d/b/a Verizon Wireless); or

(J) any Cash or Cash Equivalents or short term investments except as may be elected by Verizon.

“Spinco Audited Balance Sheet” means the audited Combined Statements of Selected Assets, Selected Liabilities and Parent Funding as of December 31, 2005 for the local exchange businesses and related landline activities of Verizon in the states of Maine, New Hampshire and Vermont (including Internet access, long distance and customer premises equipment services provided to customers in those states).

“Spinco Business” means:

(i) all of the incumbent local exchange carrier business activities and operations of Verizon and its Affiliates in the Territory (consisting of local exchange service, intraLATA toll service, network access service, enhanced voice and data services, DSL services and wholesale services); and

(ii) all of the following activities of Verizon and its Affiliates in the Territory:

(A) consumer and small business switched and dedicated long distance service to customers located in the Territory;

(B) large business switched and dedicated long distance service to customers of Verizon Select Services Inc. located in the Territory;

(C) the delivery by Verizon Internet Services Inc. of dial-up, DSL and fiber to the premises (a/k/a FiOS) data and dedicated internet access services to customers located in the Territory;

(D) customer premise equipment sales, and installation and maintenance services currently offered by Verizon Select Services, Inc. to customers located in the Territory; and

(E) private line service to customers of Verizon Select Services Inc. where the line originates and terminates in the Territory;

provided that, for the avoidance of doubt, “Spinco Business” shall not include any other business activities or operations of Verizon or its Affiliates that may be conducted in the Territory, including, without limitation,

(A) the offering of wireless voice, data and other services by Cellco Partnership (d/b/a Verizon Wireless) and the offering of air-to-ground or rail-to-ground services by Verizon Airfone;

(B) publishing and printing telephone directories and publishing electronic directories;

(C) monitoring, installation, maintenance and repair of data customer premises equipment and software, structured cabling, call center solutions and professional services as provided generally by Verizon Network Integration Corp.;

(D) multi-dwelling unit voice, data and video services as provided generally by Verizon Avenue Corp.;

(E) wireless telecommunications services, customer premises equipment, inside wiring and cabling, and consulting services to or for federal government agencies offered by Federal Network Systems LLC, and customer premises inside wiring and cabling, and consulting services to or for federal government agencies offered by Verizon Federal Inc.;

(F) interstate, intrastate and local exchange services offered by Verizon or its Affiliates (other than the Contributing Companies) consisting primarily of those conducted by them as successors to the business of MCI, Inc.;

(G) monitoring, provision, maintenance and repair of intrastate, interstate and international telecommunications and information services, managed services, internet protocol services, data center services, professional services, hosting services, web infrastructure and application management and other products, services and software provided to government and large business customers as provided generally by Verizon



Business Global LLC, f/k/a MCI, LLC, which is the successor to the business of MCI, Inc., or direct and indirect subsidiaries of Verizon Business Global LLC;

(H) consumer and small business CPE services (including DSL modem and router fulfillment) as provided generally by Verizon TeleProducts;

(I) long haul switching, routing, and transmission and other carrier services as provided generally by Verizon Global Networks Inc.;

(J) prepaid card products, payphone dial around services (VSSI-CARD) and dedicated Internet access services as provided generally by Verizon Select Services Inc.;

(K) Verizon Voice Over Internet Protocol service as provided generally by Verizon d/b/a Verizon Long Distance and NYNEX Long Distance; or

(L) activities relating to the foregoing or in substitution for the foregoing by the named entities or any successor thereto.

“Spinco Common Stock” has the meaning set forth in the Recitals.

“Spinco Debt Expenses” means (i) the aggregate amount of all fees and expenses payable to lenders or lenders’ advisors by Spinco or the Surviving Corporation pursuant to the terms of the New Financing (or Alternative Financing) in connection with the consummation of the New Financing (or Alternative Financing) multiplied by (ii) a fraction, the numerator of which is (A) the amount drawn by Spinco under the terms of the New Financing (or Alternative Financing) immediately prior to the Effective Time and the denominator is (B) the sum of the aggregate amount of indebtedness contemplated by the New Financing (or Alternative Financing).

“Spinco Group” means Spinco and the Spinco Subsidiaries.

“Spinco Guarantees” has the meaning set forth in Section 7.4(b).

“Spinco Interim Balance Sheet” means the balance sheet that is part of the Interim Financial Statements (as defined in the Merger Agreement).

“Spinco Liabilities” means, subject to Section 2.1(c), collectively:

(i) all Liabilities of Verizon or any of its Subsidiaries (including Spinco and the Spinco Subsidiaries) to the extent relating to or arising from the Spinco Business, including the Liabilities set forth on the Spinco Interim Balance Sheet (after giving effect for this purpose to any exclusion of Liabilities resulting from application of the principles, methodologies and policies set forth in Section 5.1 of the Disclosure Letter) or

arising after the date thereof and the Liabilities of Spinco under the Transaction Agreements;

(ii) all Liabilities to the extent relating to or arising from any Spinco Assets;

(iii) all Liabilities of the Spinco Business in respect of the Transferred Affiliate Arrangements;

(iv) those Liabilities in the Blended Customer Contracts that are assigned to and assumed by the Company pursuant to Section 7.7(e) of the Merger Agreement;

(v) all Liabilities relating to or arising from any Verizon Guarantee; and

(vi) all Liabilities set forth on Section 1.1(f) of the Disclosure Letter. Notwithstanding the foregoing, Spinco Liabilities shall not include any Liabilities specifically agreed not to be assumed by Spinco under any other Transaction Agreement. For the avoidance of doubt, Spinco Liabilities do not include Verizon Liabilities.

“Spinco Securities” means the notes to be issued by Spinco to Verizon, as contemplated in Section 2.4 hereof and having the principal terms set forth on Exhibit C hereto and other terms determined in accordance with Section 7.20 of the Merger Agreement.

“Spinco Subsidiaries” means, collectively, the Non-ILEC Spinco Subsidiary and the ILEC Spinco Subsidiary.

“Subsidiary” has the meaning set forth in the Merger Agreement.

“Surviving Corporation” has the meaning set forth in the Merger Agreement.

“Target Working Capital” means \$50,500,000, provided that such amount will be reduced by the amount, if any, equal to (x) the sum of (i) any amount the Company pays or becomes obligated to pay to a Commitment Party (as defined in the Commitment Letter) pursuant to the fifth paragraph of the fee letter that is part of the Commitment Letter, and (ii) any amount the Company pays or becomes obligated to pay pursuant to the fee letter that is part of the Backstop Facility Commitment, divided by (y) 0.39579.

“Taxes” has the meaning set forth in the Merger Agreement.

“Tax Sharing Agreement” means the Tax Sharing Agreement entered into on the date hereof, between Verizon, the Company and Spinco, as such agreement may be amended from time to time.

“Telephone Plant” means the plant, systems, structures, regulated construction work in progress, telephone cable (whether in service or under construction), microwave

facilities (including frequency spectrum assignment), telephone line facilities, machinery, furniture, fixtures, tools, implements, conduits, stations, substations, equipment (including central office equipment, subscriber station equipment and other equipment in general), instruments and house wiring connections located in the Territory used in the Spinco Business.

“Territory” means the local franchise area of Verizon New England in the states of Maine, Vermont and New Hampshire.

“Total Verizon Shares” means (i) the total number of shares of Verizon Common Stock as of the Record Date plus (ii) the total number of shares of Verizon Common Stock issued to all persons who acquired such Verizon Common Stock pursuant to the exercise of Record Date Options.

“Transaction Agreements” means this Agreement, the Employee Matters Agreement, the Intellectual Property Agreement, the Merger Agreement, the Tax Sharing Agreement, the Idearc Agreements and the Transition Services Agreement.

“Transferred Affiliate Arrangements” means (i) any intercompany trade accounts payable or receivable of the Spinco Business as of the date of the Contribution, including amounts payable by or to Verizon or any Verizon Subsidiaries under Contracts for the provision of billing and collection, network access and other services, (ii) any reimbursements due as of the date of the Contribution in respect of the Spinco Business for corporate services under the pro-rate agreement or other arrangements with Verizon or any Verizon Subsidiary consistent with past practice, (iii) any Transaction Agreement and any arrangement expressly contemplated by a Transaction Agreement, (iv) any Affiliate interconnection Contract or (v) any Contract listed on Section 1.1(g) of the Disclosure Letter.

“Transition Services Agreement” means that Transition Services Agreement entered into on the date hereof, between Verizon and Spinco, as such agreement may be amended from time to time.

“Verizon” has the meaning set forth in the preamble.

“Verizon Assets” means, subject to Section 2.1(c), collectively,

(i) all of the right, title and interest of Verizon and its Subsidiaries in all Assets held by them other than those identified in clauses (i) through (vi) of the definition of Spinco Assets, it being acknowledged that Verizon Assets include (a) all Excluded Contracts (it being agreed that Spinco and the Spinco Subsidiaries shall be permitted to (x) retain any product or license under an Excluded Contract delivered and paid for prior to the Closing in the conduct of the Spinco Business and (y) receive any product or license under an Excluded Contract that was ordered and paid for prior to the Closing in

the conduct of the Spinco Business but which shall be delivered after the Closing), (b) all Contracts between Verizon and the Verizon Subsidiaries on one hand and Spinco and the Spinco Subsidiaries on the other hand (other than to the extent they constitute Transferred Affiliate Arrangements), (c) any Asset, other than any customer relationships, of the dial-up and ISP and the consumer or small business long distance portions of the Spinco Business and (d) tangible Assets used exclusively by personnel who are retained by Verizon but who work in one of the work centers or other locations located in the Territory which serve both the Spinco Business and the Verizon Business, all of which are set forth in Section 1.1(h) of the Disclosure Letter.

(ii) all other Assets of Verizon and Verizon Subsidiaries to the extent specifically assigned to or retained by any member of the Verizon Group pursuant to this Agreement or any other Transaction Agreement,

(iii) the capital stock of each Verizon Subsidiary,

(iv) all rights of Verizon under the Transaction Agreements,

(v) all defenses and counterclaims relating to any Liability retained by Verizon or its Affiliates, and

(vi) any additional Assets set forth on Section 1.1(i) of the Disclosure Letter.

“Verizon Business” means all of the businesses and operations conducted by Verizon and the Verizon Subsidiaries (other than the Spinco Business) at any time, whether prior to, on or after the Distribution Date.

“Verizon Common Stock” has the meaning set forth in the Recitals.

“Verizon Group” means Verizon and the Verizon Subsidiaries.

“Verizon Guarantees” has the meaning set forth in Section 7.4(a).

“Verizon Liabilities” means, subject to Section 2.1(c), collectively, (i) all Liabilities of Verizon or any of its Subsidiaries relating to or arising out of the Verizon Business, including the Liabilities of Verizon under the Transaction Agreements, in each case other than the Spinco Liabilities, (ii) all Liabilities in respect of the Transferred Affiliate Arrangements other than the Spinco Liabilities related thereto, (iii) those Liabilities under the Blended Customer Contracts except to the extent assumed by the Company pursuant to Section 7.8(e) of the Merger Agreement, (iv) all Liabilities in respect of Excluded Contracts, (v) all Liabilities set forth on Section 1.1(j) of the Disclosure Letter, (vi) all Liabilities relating to or arising from any Spinco Guarantee, and (vii) all expenses allocated to Verizon pursuant to Section 11.1 of the Merger Agreement, (viii) all obligations in respect of guarantees issued by any member of the

Spinco Group prior to the Closing Date in respect of the Verizon Business, (ix) Spinco Debt Expenses, (x) the amount, if any, by which Distribution Date Spinco Indebtedness exceeds \$1.7 billion and (xi) Liabilities in respect of claims asserted against any Identified Person as a result of acts or omissions occurring prior to the Distribution. For the avoidance of doubt, Verizon Liabilities do not include Spinco Liabilities.

“Verizon New England” has the meaning set forth in the Recitals.

“Verizon Subsidiaries” means all direct and indirect Subsidiaries of Verizon immediately after the Distribution Date, assuming that the Distribution has occurred in accordance with the terms hereof.

Section 1.2 References to Time. All references in this Agreement to times of the day shall be to New York City time.

## ARTICLE II

### The Contribution

#### Section 2.1 Transfers of Spinco Assets and Spinco Liabilities.

(a) Subject to Section 2.1(b) and, in the case of Information, Article VIII, on or prior to the Distribution Date, Verizon shall take or cause to be taken all actions necessary to cause the transfer, assignment, delivery and conveyance (i) of the Non-ILEC Spinco Assets and the Non-ILEC Spinco Liabilities to the Non-ILEC Spinco Subsidiary and (ii) of the ILEC Spinco Assets and the ILEC Spinco Liabilities to the ILEC Spinco Subsidiary. Spinco shall assume or cause the applicable Spinco Subsidiaries to assume, and thereafter timely pay, perform and discharge, when and as due, or cause the applicable Spinco Subsidiaries to thereafter timely pay, perform and discharge, when and as due, all of the Spinco Liabilities.

(b) Nothing in this Agreement (including, for the avoidance of doubt, Section 7.6) shall be deemed to require the transfer of any Assets or the assumption of any Liabilities which by their terms or operation of law cannot be transferred or assumed until such time as all legal impediments to such transfer or assumption have been removed. The rights and obligations of the parties in respect of removing such impediments, (including pursuing and obtaining all applicable consents, waivers and approvals in connection with the Contribution) and in respect of such Assets and Liabilities to the extent not transferred on the Distribution Date are set forth in the Merger Agreement and no additional rights or obligations shall be deemed to arise under this Agreement in connection therewith.

(c) The rights and obligations of the parties with respect to Taxes shall be governed exclusively by the Tax Sharing Agreement (and, to the extent applicable, the

Merger Agreement). Accordingly, items relating to Taxes shall not be treated as Assets or Liabilities for purposes of, or otherwise be governed by, this Agreement. In the event of any inconsistency between this Agreement and the Tax Sharing Agreement, the terms of the Tax Sharing Agreement shall control. In addition, the rights and obligations of the parties with respect to benefit plans, programs, agreements and arrangements shall be governed exclusively by the Employee Matters Agreement. Accordingly, assets and liabilities relating to any benefit plans, programs, agreements and arrangements shall not be treated as Assets or Liabilities for purposes of, or otherwise be governed by, this Section 2.1. The rights and obligations of the parties with respect to collective bargaining agreements and practices, including Spinco collective bargaining agreements, memoranda of agreement and memoranda of understanding, and the rights and obligations arising under those contracts and practices on benefit plans, programs, agreements and arrangements shall be treated as Assets or Liabilities for purposes of this Section 2.1, and are described in the Employee Matters Agreement. In the event of any conflict between this Section 2.1, or any other Section of this Agreement, and the Employee Matters Agreement, the Employment Matters Agreement shall control.

Section 2.2 Conveyancing and Assumption Agreements. In connection with the transfer of the Spinco Assets and the assumption of the Spinco Liabilities contemplated by this Article II, Verizon and Spinco shall execute, or cause to be executed by the appropriate entities, customary conveyancing and assumption instruments (provided that such instruments shall not impose obligations on any party or grant rights, through representations or otherwise, beyond those set forth in this Agreement).

Section 2.3 Certain Resignations. At or prior to the Distribution Date, Verizon shall cause each employee and director of Verizon and its Subsidiaries who will not be employed by Spinco or a Spinco Subsidiary after the Distribution Date to resign, effective not later than the Distribution Date, from all boards of directors or similar governing bodies of Spinco or any Spinco Subsidiary on which they serve, and from all positions as officers of Spinco or any Spinco Subsidiary in which they serve. Spinco will cause each employee and director of Spinco and its Subsidiaries who will not be employed by Verizon or any Verizon Subsidiary after the Distribution Date to resign, effective not later than the Distribution Date, from all boards of directors or similar governing bodies of Verizon or any Verizon Subsidiary on which they serve, and from all positions as officers of Verizon or any Verizon Subsidiary in which they serve.

Section 2.4 Special Dividend; New Financing; Debt Exchange.

(a) The Spinco Board will establish a Special Dividend record date and will authorize Spinco to pay out of funds legally available therefor the Special Dividend on the Distribution Date to Verizon, as the holder of record of Spinco Common Stock as of the specified record date. The Special Dividend will be paid to Verizon on the Distribution Date immediately prior to the Distribution.

(b) At or prior to the Distribution Date, Spinco will (i) enter into the agreements associated with the New Financing and use a portion of the proceeds thereof to pay the Special Dividend and (ii) distribute Spinco Securities to Verizon. The principal amount of the Spinco Securities will be an amount equal to (x) \$1.7 billion less (y) the amount of the Special Dividend, with the precise aggregate principal amount of the Spinco Securities to be set forth on a certificate to be delivered by Verizon to Spinco, with a copy to the Company, no later than 30 days prior to the Distribution Date.

(c) The rights and obligations of the parties in respect of pursuing and obtaining the New Financing are set forth in the Merger Agreement and no additional rights or obligations shall be deemed to arise under this Agreement in connection therewith.

(d) The parties acknowledge that Verizon intends to enter into arrangements prior to or following the Distribution Date providing for the exchange of outstanding Spinco Securities for debt obligations of Verizon or its Affiliates or the transfer of Spinco Securities to other Verizon creditors or stockholders (the "Debt Exchange"), provided that the parties further acknowledge that (i) if Verizon desires to consummate the Debt Exchange concurrently with the Distribution, Verizon shall not be obligated to consummate the Distribution unless Verizon shall have entered into such arrangements and the Debt Exchange shall be consummated concurrently with the Distribution and (ii) if Verizon elects not to pursue the Debt Exchange at the time of the Distribution or thereafter, Verizon may dispose of the Spinco Securities in another manner, but will in any event dispose of all of its interest in the Spinco Securities within 360 days following the Distribution Date.

(e) At Verizon's election, to be exercised by Verizon no later than 15 days prior to the Distribution Date (the "Election"), notwithstanding any other provision of the Transaction Agreements, the following alternative transaction structure may be adopted in lieu of the transaction steps currently described in the Transaction Documents:

(i) the entity referred to as Spinco shall be formed by Verizon New England, instead of by Verizon;

(ii) the Special Dividend shall be a dividend paid by Spinco to Verizon New England, instead of being paid by Spinco to Verizon;

(iii) Spinco Securities shall be notes issued by Spinco to Verizon New England, instead of being issued by Spinco to Verizon,

(iv) the Debt Exchange shall be undertaken by Verizon New England with its creditors or stockholders, instead of being undertaken by Verizon with Verizon's creditors or stockholders,

(v) Verizon and Verizon New England shall transfer or cause to be transferred to Spinco (or to Subsidiaries thereof) all of the Spinco Assets and Liabilities in such a manner that, immediately prior to the Merger, no assets or liabilities (other than stock or other equity interests in Subsidiaries) shall be held directly by Spinco; and

(vi) Spinco shall be distributed in the Internal Spinoffs and in the Distribution and shall participate in the Merger.

If Verizon makes the Election, all applicable provisions of this Agreement and the other Transaction Agreements shall be amended by the parties thereto as appropriate to reflect the Election. For example, the definition of the Special Dividend shall be revised to refer to Verizon New England's estimate of its tax basis in Spinco, instead of Verizon's estimate of its tax basis in Spinco.

(f) The parties recognize that Spinco and the Company desire that as of the time of the distribution the amount of Current Assets exceeds the amount of Current Liabilities and therefore Verizon agrees to use commercially reasonable efforts to conduct the Spinco Business in a manner that would cause Current Assets to exceed Current Liabilities as of the time of the Distribution.

(g) Verizon shall pay all Spinco Debt Expenses (i) on the Closing Date or (ii) on such subsequent date when the fees and expenses payable to lenders or the lenders' advisors pursuant to the terms of the New Financing (or Alternative Financing) in connection with the consummation of the New Financing (or Alternative Financing), other than the Spinco Debt Expenses, are paid by the Surviving Corporation.

### ARTICLE III

#### Conditions

Section 3.1 Conditions to the Distribution. The obligations of Verizon pursuant to this Agreement to effect the Distribution shall be subject to the fulfillment (or waiver by Verizon) on or prior to the Distribution Date (provided that certain of such conditions will occur substantially contemporaneous with the Distribution) of each of the conditions set forth in Section 8.1 and Section 8.2 of the Merger Agreement, except the consummation of the Contribution and the Distribution and the other transactions contemplated hereby.



Section 3.2 Waiver of Conditions. To the extent permitted by applicable Law, the condition set forth in Section 3.1 hereof may be waived in the sole discretion of Verizon. The condition set forth in Section 3.1 is for the sole benefit of Verizon and shall not give rise to or create any duty on the part of Verizon to waive or not waive any such conditions.

## ARTICLE IV

### The Distribution

Section 4.1 Record Date and Distribution Date. Subject to the satisfaction, or to the extent permitted by applicable Law, waiver, of the conditions set forth in Section 3.1, the Board of Directors of Verizon, consistent with the Merger Agreement and Delaware law, shall establish the Record Date and the Distribution Date and any necessary or appropriate procedures in connection with the Distribution.

Section 4.2 Spinco Reclassification. Immediately prior to the Distribution Date, Verizon and Spinco shall take all actions necessary to issue to Verizon such number of shares of Spinco Common Stock, including, if applicable, by reclassifying the outstanding shares of Spinco Common Stock or by declaring a dividend payable to Verizon in shares of Spinco Common Stock (the "Reclassification"), for the purpose of increasing the outstanding shares of Spinco Common Stock such that, immediately prior to the Distribution Date, Spinco will have an aggregate number of shares of Spinco Common Stock to be determined by Verizon and Spinco prior to the Distribution Date, all of which will be held by Verizon.

Section 4.3 The Agent. Prior to the Distribution Date, Verizon shall enter into an agreement with the Agent on terms reasonably satisfactory to Spinco and the Company providing for, among other things, the distribution to the holders of Verizon Common Stock in accordance with this Article IV of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution will be converted pursuant to the Merger.

Section 4.4 Delivery of Shares to the Agent. At or prior to the Distribution Date, Verizon shall authorize the book-entry transfer by the Agent of all of the outstanding shares of Spinco Common Stock to be distributed in connection with the Distribution. After the Distribution Date, upon the request of the Agent, Spinco shall provide all book-entry transfer authorizations that the Agent shall require in order to effect the distribution of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution will be converted pursuant to the Merger.

Section 4.5 The Distribution. Upon the terms and subject to the conditions of this Agreement, following consummation of the Reclassification, Verizon shall declare and pay the Distribution consisting of:

(i) to the holders of shares of Verizon Common Stock as of the Record Date, such percentage of the total number of shares of Spinco Common Stock held by Verizon as of the time of the Distribution as is equal to a fraction, the numerator of which is the number of Total Verizon Shares held by such holders as of the Record Date and the denominator of which is the number of Total Verizon Shares; and

(ii) to the holders of shares of Verizon Common Stock who acquired such Verizon Common Stock pursuant to the exercise of Record Date Options, such percentage of the total number of shares of Spinco Common Stock held by Verizon as of the time of the Distribution as is equal to a fraction, the numerator of which is the number of Total Verizon Shares held by such holders that were acquired pursuant to the exercise of Record Date Options and the denominator of which is the number of Total Verizon Shares.

At the Effective Time (as defined in the Merger Agreement), all such shares of Spinco Common Stock shall be converted into the right to receive shares of Company Common Stock pursuant to, and in accordance with the terms of, the Merger Agreement, immediately following which the Agent shall distribute by book-entry transfer in respect of the outstanding shares of Verizon Common Stock held by (x) holders of record of Verizon Common Stock on the Record Date and (y) persons who acquired Verizon Common Stock pursuant to the exercise of Record Date Options, all of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution have been converted pursuant to the Merger. The Agent shall make cash payments in lieu of any fractional shares resulting from the conversion of Spinco Common Stock into Company Common Stock in the Merger pursuant to the terms of the Merger Agreement.

## ARTICLE V

### Post Closing Adjustments

#### Section 5.1 Post-Closing Adjustments.

(a) Within 90 days after the Closing Date, Verizon shall cause to be prepared and delivered to the Surviving Corporation a statement derived from the books and records of Verizon and its Affiliates (the "Closing Statement"), setting forth Distribution Date Working Capital, including reasonable detail regarding the calculation thereof. The Distribution Date Working Capital shall be calculated in accordance with GAAP, consistently applied, using the same accounting principles, methodologies and policies used in the preparation of the Spinco Audited Balance Sheet, pro forma for the

completion of the Contribution, as modified by the principles, methodologies and policies set forth in Section 5.1 of the Disclosure Letter.

(b) Verizon shall give the Surviving Corporation and each of its Representatives access at all reasonable times and on reasonable advance notice to Verizon's books and records to the extent reasonably required to permit the Surviving Corporation to review the Closing Statement. Within 60 days after receipt of the Closing Statement, Surviving Corporation shall, in a written notice to Verizon, describe in reasonable detail any proposed adjustments to the items set forth on the Closing Statement and the reasons therefor (it being agreed that the only permitted reasons for such adjustments shall be mathematical error or the failure to compute items set forth therein in accordance with this Article V). Surviving Corporation shall have the right to discuss the Closing Statement with Verizon's accountants, it being understood that in connection with such discussion, Surviving Corporation will not have access to the work papers of such accountants. If Verizon shall not have received a notice of proposed adjustments (provided that any and all proposed adjustments to the calculation of Distribution Date Working Capital must in the aggregate exceed One Hundred Thousand Dollars (\$100,000) or more) within such 60 day period, Surviving Corporation will be deemed to have accepted irrevocably such Closing Statement.

(c) Verizon and Surviving Corporation shall negotiate in good faith to resolve any disputes over any proposed adjustments to the Closing Statement, during the 30 days following Verizon's receipt of the proposed adjustments. If the parties are unable to resolve such dispute within such 30 day period, then, at the written request of either party (the "Dispute Resolution Request"), each party shall appoint a knowledgeable, responsible representative to meet in person and negotiate in good faith to resolve the disputed matters. The parties intend that these negotiations be conducted by experienced business representatives empowered to decide the issues. Such negotiations shall take place during the 15 day period following the date of the Dispute Resolution Request. If the business representatives resolve the dispute, such resolution shall be memorialized in a written agreement (the "Final Closing Statement"), executed within five days thereafter. If the business representatives do not resolve the dispute, within five days Surviving Corporation and Verizon shall jointly select a nationally recognized independent public accounting firm (which is not the regular independent public accounting firm of either Verizon or Surviving Corporation) to arbitrate and resolve such disputes, which resolution shall be final, binding and enforceable in accordance with Section 10.12. If Surviving Corporation and Verizon do not jointly select such firm within five days, a nationally recognized accounting firm shall be selected by lot from among those nationally recognized firms which are not the regular firm of either Verizon or Surviving Corporation. Such accounting firm shall arbitrate and resolve such dispute based solely on the written submission forwarded by Verizon and Surviving Corporation and shall only consider whether the Closing Statement was prepared in accordance with the standards set forth herein and (only with respect to disputed matters submitted to the

accounting firm) whether and to what extent the Closing Statement requires adjustment. The fees and expenses of such accounting firm shall be shared by Surviving Corporation and Verizon in inverse proportion to the relative amounts of the disputed amount determined to be for the account of Surviving Corporation and Verizon, respectively.

(d) If the amount of the Distribution Date Working Capital, as set forth in the Final Closing Statement (the “Final Distribution Date Working Capital”) exceeds the Target Working Capital, the Surviving Corporation shall pay to Verizon an amount equal to such excess and if the amount of the Final Distribution Date Working Capital is less than the Target Working Capital, Verizon shall pay to the Surviving Corporation an amount equal to such deficit.

(e) Any amounts payable pursuant to Section 5.1(d) above shall be made via wire transfer of immediately available funds within five Business Days after the date upon which the Closing Statement becomes a Final Closing Statement. All such amounts shall bear interest from the Distribution Date through but excluding the date of payment, at the Applicable Rate. Such interest shall accrue daily on the basis of a 365 day year calculated for the actual number of days for which payment is due and such payment shall be payable together with the amount payable pursuant to this Section 5.1.

## ARTICLE VI

### Transaction Agreements

Section 6.1 Transaction Agreements. Subject to the terms and conditions set forth herein no later than the Distribution Date, Verizon and Spinco (and/or other Subsidiaries of Verizon, as applicable) shall each execute and deliver each of the Transaction Agreements to which it is a party.

## ARTICLE VII

### Additional Covenants

Section 7.1 Survival; Exclusive Remedy. The covenants and agreements contained herein to be performed following the Closing shall survive the Effective Time in accordance with their respective terms and all other terms shall expire as of the Effective Time (other than the obligation to convey the Spinco Assets and the Spinco Liabilities in accordance with Section 2.1). The parties hereby agree that the sole and exclusive remedy for any claim (whether such claim is framed in tort, contract or otherwise), arising out of a breach of this Agreement shall be asserted pursuant to Section 10.2 of the Merger Agreement (or if this Agreement and the Merger Agreement are terminated, Section 9.2 of the Merger Agreement) and only to the extent expressly contemplated therein. For the avoidance of doubt, Section 10.2 of the Merger Agreement is acknowledged to provide for equitable relief to the extent the requisite showing is

made under applicable law of the inadequacy of the payment of money damages thereunder.

Section 7.2 Mutual Release. Effective as of the Distribution Date and except as otherwise specifically set forth in the Transaction Agreements, each of Verizon, on behalf of itself and each of the Verizon Subsidiaries, on the one hand, and Spinco, on behalf of itself and each of the Spinco Subsidiaries, on the other hand, hereby releases and forever discharges the other party and its Subsidiaries, and its and their respective officers, directors, managers or other persons acting in a similar capacity, agents, record and beneficial security holders (including trustees and beneficiaries of trusts holding such securities), advisors and Representatives (in each case, in their respective capacities as such) and their respective heirs, executors, administrators, successors and assigns, of and from all debts, demands, actions, causes of action, suits, accounts, covenants, contracts, agreements, damages, claims and other Liabilities whatsoever of every name and nature, both in law and in equity, which the releasing party has or ever had or ever will have, which exist or arise out of or relate to events, circumstances or actions taken by such other party occurring or failing to occur or any conditions existing at or prior to the Distribution Date whether or not known on the Distribution Date, including in connection with the transactions and all other activities to implement the Contribution and the Distribution; provided, however, that the foregoing general release shall not apply to (i) any Liabilities or other obligations (including Liabilities with respect to payment, reimbursement, indemnification or contribution) under the Merger Agreement, this Agreement or the other Transaction Agreements or any Contracts (as defined therein) contemplated thereby, or assumed, transferred, assigned, allocated or arising under any of the Merger Agreement, this Agreement or the other Transaction Agreements or any Contract contemplated thereby in each case subject to the terms thereof (including any Liability that the parties may have with respect to payment, performance, reimbursement, indemnification or contribution pursuant to the Merger Agreement, this Agreement or any other Transaction Agreement or any Contract contemplated thereby), and the foregoing release will not affect any party's right to enforce the Merger Agreement, this Agreement or the other Transaction Agreements or the Contracts contemplated thereby in accordance with their terms or (ii) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 7.2 (provided, that the parties agree not to bring suit or permit any of their Subsidiaries to bring suit against any such Person with respect to any Liability to the extent such Person would be released with respect to such Liability by this Section 7.2 but for this clause (ii)). Each party to this Agreement agrees, for itself and each member of its Group, not to make any claim or demand or commence any action or assert any claim against any member of the other Party's Group with respect to the Liabilities released pursuant to this Section 7.2.

Section 7.3 Intercompany Agreements; Intercompany Accounts.

(a) Except for the Transaction Agreements, any agreements entered into pursuant to the Merger Agreement including without limitation pursuant to Section 7.8 thereof, and the Transferred Affiliate Arrangements, all contracts, licenses, agreements, commitments and other arrangements, formal and informal, between any member of the Verizon Group, on the one hand, and any member of the Spinco Group, on the other hand, in existence as of the Distribution Date, shall terminate as of the close of business on the day prior to the Distribution Date. No such terminated agreement (including any provision thereof that purports to survive termination) shall be of any further force or effect after the Distribution Date and all parties shall be released from all obligations thereunder. From and after the Distribution Date, no member of either Group shall have any rights under any such terminated agreement with any member of the other Group, except as specifically provided herein or in the other Transaction Agreements.

(b) Effective immediately prior to the Distribution Date, all intercompany cash management loan balances between Verizon and the Verizon Subsidiaries, on one hand, and Spinco and the Spinco Subsidiaries, on the other hand, shall be canceled.

Section 7.4 Guarantee Obligations and Liens.

(a) Verizon and Spinco shall, upon Verizon's request, cooperate, and shall cause their respective Groups to cooperate and use their respective reasonable best efforts to: (x) terminate, or to cause Spinco, as the appropriate member of the Spinco Group, to be substituted in all respects for Verizon or the applicable member of the Verizon Group in respect of, all obligations of any member of the Verizon Group under any Spinco Liabilities identified by Verizon for which such member of the Verizon Group may be liable, as guarantor, original tenant, primary obligor or otherwise (including any Spinco financial instrument) ("Verizon Guarantees"), and (y) terminate, or to cause Spinco Assets to be substituted in all respects for any Verizon Assets in respect of, any liens or encumbrances identified by Verizon on Verizon Assets which are securing any Spinco Liabilities. If such a termination or substitution is not effected by the Distribution Date, without the prior written consent of Verizon, from and after the Distribution Date, Spinco shall not, and shall not permit any member of the Spinco Group to, renew or extend the term of, increase its obligations under, or transfer to a third party, any loan, lease, contract or other obligation for which a member of the Verizon Group is or may be liable or for which any Verizon Asset is or may be encumbered unless all obligations of the Verizon Group and all liens and encumbrances on any Verizon Asset with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to Verizon.

(b) Verizon and Spinco shall, upon Spinco's request, cooperate, and shall cause their respective Groups to cooperate and use their respective reasonable best efforts to: (x) terminate, or to cause a member of the Verizon Group to be substituted in all

respects for any member of Spinco Group in respect of, all obligations of any member of the Spinco Group under any Verizon Liabilities for which such member of the Spinco Group may be liable, as guarantor, original tenant, primary obligor or otherwise (including any Verizon financial instrument) (“Spinco Guarantees”), and (y) terminate, or to cause Verizon Assets to be substituted in all respects for any Spinco Assets in respect of, any liens or encumbrances on Spinco Assets which are securing any Verizon Liabilities. If such a termination or substitution is not effected by the Distribution Date, without the prior written consent of Spinco, from and after the Distribution Date, Verizon shall not, and shall not permit any member of the Verizon Group to, renew or extend the term of, increase its obligations under, or transfer to a third party, any loan, lease, contract or other obligation for which a member of the Spinco Group is or may be liable or for which any Spinco Asset is or may be encumbered unless all obligations of the Spinco Group and all liens and encumbrances on any Spinco Asset with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to Spinco.

Section 7.5 Insurance.

(a) Notwithstanding any other provision of this Agreement, from and after the Distribution Date, Spinco and the Spinco Subsidiaries will have no rights with respect to any Policies, except that (i) Verizon will use its reasonable best efforts, at Spinco’s request, to assert claims on behalf of Spinco and the Spinco Subsidiaries for any loss, liability or damage identified by Spinco with respect to the Spinco Assets or Spinco Liabilities under Policies with third-party insurers which are “occurrence basis” insurance policies (“Occurrence Basis Policies”) arising out of insured incidents occurring from the date coverage thereunder first commenced until the Distribution Date to the extent that the terms and conditions of any such Occurrence Basis Policies and agreements relating thereto so allow and (ii) Verizon will use its reasonable best efforts to obtain from the relevant third-party insurer an assignment to Spinco of any rights to prosecute claims identified by Spinco properly asserted with respect to Spinco Assets or Spinco Liabilities with an insurer prior to the Distribution Date under Policies with third-party insurers which are insurance policies written on a “claims made” basis (“Claims Made Policies”) arising out of insured incidents occurring from the date coverage thereunder first commenced until the Distribution Date to the extent that the terms and conditions of any such Claims Made Policies and agreements relating thereto so allow; provided, that in the case of both clauses (i) and (ii) above, (A) all of Verizon’s and each Verizon Subsidiary’s reasonable out-of-pocket costs and expenses incurred in connection with the foregoing are promptly paid by Spinco (it being agreed that Verizon will not incur material expenditures above reasonable amounts specified by Spinco unless authorized by Spinco), (B) Verizon and the Verizon Subsidiaries may, at any time, without liability or obligation to Spinco or any Spinco Subsidiary (other than as set forth in Section 7.5(c)), amend, commute, terminate, buy-out, extinguish liability under or otherwise modify any Occurrence Basis Policies or Claims Made Policies (and such claims shall be subject to

any such amendments, commutations, terminations, buy-outs, extinguishments and modifications), and (C) any such claim will be subject to all of the terms and conditions of the applicable Policy.

(b) Verizon will use its reasonable best efforts to recover damages or to assist Spinco in connection with any efforts by Spinco to recover damages, as the case may be, under any Policy with respect to the Spinco Business for incidents occurring prior to the Distribution Date; provided, that all of Verizon's reasonable out-of-pocket costs and expenses incurred in connection with the foregoing are promptly paid by Spinco (it being agreed that Verizon will not incur material expenditures above reasonable amounts specified by Spinco unless authorized by Spinco).

(c) If an extended reporting period for Claims Made Policies is available for Verizon to purchase, if the Surviving Corporation requests following the Closing Date, Verizon shall cause to be purchased at the Surviving Corporation's expense an extended reporting period with respect to such insurance for the benefit of Spinco and the Spinco Subsidiaries as insureds.

(d) In the event that a Policy provides coverage for both Verizon and/or a Verizon Subsidiary, on the one hand, and the Spinco Business, Spinco Assets and Spinco Liabilities, on the other hand, relating to the same occurrence: (i) Verizon agrees to jointly defend Spinco and/or any applicable Spinco Subsidiaries where no conflicts exist between the parties; and (ii) Spinco shall pay that portion of all out-of-pocket fees and expenses, in excess of any insurance and/or insurance reimbursement, attributable to the Spinco Assets and Spinco Liabilities.

(e) The obligations of Verizon and its Subsidiaries under this Section 7.5 shall terminate on the seventh anniversary of the Effective Time.

**Section 7.6 Subsequent Transfers.** In the event that at any time during the 18-month period following the Distribution Date, a member of the Verizon Group becomes aware that it possesses any Spinco Assets (except (i) for assets, rights and properties provided by members of the Verizon Group pursuant to the Transition Services Agreement or (ii) as otherwise contemplated by the Transaction Agreements), Verizon shall cause the prompt transfer of such assets, rights or properties to Spinco. Prior to any such transfer, Verizon shall hold such Spinco Asset in trust for Spinco. In the event that at any time during the 18-month period following the Distribution Date, a member of the Spinco Group becomes aware that it possesses any Verizon Assets (except as otherwise contemplated by the Transaction Agreements), the Spinco Group shall cause the prompt transfer of such assets, rights or properties to Verizon or a member of the Verizon Group. Prior to any such transfer, the Spinco Group shall hold such Verizon Asset in trust for Verizon.



Section 7.7 Further Assurances. From time to time after the Distribution Date, and for no further consideration, each of the parties shall execute, acknowledge and deliver such assignments, transfers, consents, assumptions and other documents and instruments and take such other actions as may be necessary to consummate and make effective the transactions contemplated by this Agreement; provided, that no such documents or instruments shall impose obligations on any party broader than or additive to those in any Transaction Agreement.

## ARTICLE VIII

### Access to Information

Section 8.1 Provision of Information. Notwithstanding anything herein to the contrary, the parties agree that the obligation of Verizon to deliver Information that is part of the Spinco Assets to Spinco from and after the Distribution will be governed by this Article VIII. Subject to the terms of this Article VIII,

(a) No later than five Business Days following the Closing Date, Verizon shall deliver to Spinco at the address specified for notices to the Company in the Merger Agreement (or to such other address in the continental United States as may be designated by the Company to Verizon no less than 10 days prior to the Distribution Date), (i) copies of the Information constituting Spinco Assets that are continuing property records, (ii) copies of the Information constituting Spinco Assets that is contained in the data room located in Irving, Texas on the date hereof, and such additional Information constituting Spinco Assets that is in the same general categories as the existing Information in such data room and is added to the data room by Verizon (using reasonable commercial efforts to do so) immediately prior to the Closing Date and (iii) minute books and organizational documents of Spinco and the Spinco Subsidiaries.

(b) Following the Closing Date, Verizon shall deliver or make available to Spinco from time to time upon the request of Spinco following the Distribution Date Information not provided pursuant to Section 8.1(a) relating directly to the Spinco Assets, the Spinco Business, or the Spinco Liabilities that consist of: (i) active Contracts, (ii) active litigation files and (iii) all other Information that constitutes Spinco Assets or relates directly to any Spinco Liability, in each case to the extent they are material to the conduct of the Spinco Business following the Distribution Date. Verizon in good faith will also consider providing upon the request of Spinco from time to time following the Distribution Date other Information relating directly to the Spinco Assets, the Spinco Business or the Spinco Liabilities, but it shall be under no obligation to do so. Subject to Section 8.5, Verizon may retain complete and accurate copies of such Information. The costs and expenses incurred in the identification, isolation and provision of Information to the Spinco Group shall be paid for by the Spinco Group, provided that to the extent any Information exists in paper form, other than pre-Distribution billing Information, Verizon shall provide copies of same without charge. Information shall be provided as

promptly as practicable upon request, with due regard for other commitments of Verizon personnel and the materiality of the information to Spinco (including the need to comply with any “Order” or any “Law” (each as defined in the Merger Agreement)).

(c) Notwithstanding anything in this Agreement to the contrary, (x) the provision of returns and other Information relating to Tax matters shall be governed by the Tax Sharing Agreement and the Transition Services Agreement and not this Agreement, (y) the provision of Information relating to personnel and personnel matters will be governed by the Transition Services Agreement and the Employee Matters Agreement and not this Agreement and (z) the ownership and use of any Information that constitutes an Intellectual Property Asset shall be governed by the Intellectual Property Agreement.

#### Section 8.2 Privileged Information.

(a) Each party hereto acknowledges that: (i) each of Verizon and Spinco (and the members of the Verizon Group and the Spinco Group, respectively) has or may obtain Privileged Information; (ii) there are and/or may be a number of Litigation Matters affecting each or both of Verizon and Spinco; (iii) both Verizon and Spinco have a common legal interest in Litigation Matters, in the Privileged Information and in the preservation of the confidential status of the Privileged Information, in each case relating to the pre-Distribution Spinco Business or Verizon Business or, in the case of the Spinco Group, relating to or arising in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date; and (iv) both Verizon and Spinco intend that the transactions contemplated hereby and by the Merger Agreement and the other Transaction Agreements and any transfer of Privileged Information in connection therewith shall not operate as a waiver of any potentially applicable privilege.

(b) Each of Verizon and Spinco agrees, on behalf of itself and each member of the Group of which it is a member, not to disclose or otherwise waive any privilege attaching to any Privileged Information relating to the pre-Distribution Spinco Business or Verizon Business, as applicable, or, in the case of the Spinco Group, relating to or arising in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date, without providing prompt written notice to and obtaining the prior written consent of the other, which consent shall not be unreasonably withheld, conditioned or delayed and shall not be withheld, conditioned or delayed if the other party certifies that such disclosure is to be made in response to a likely threat of suspension or debarment or similar action; provided, however, that Verizon and Spinco shall not be required to give any such notice or obtain any such consent and may make such disclosure or waiver with respect to Privileged Information if such Privileged Information relates solely to the pre-Distribution Spinco Business or Verizon Business, as applicable. In the event of a disagreement between any member of the Verizon Group and any member of the Spinco Group concerning the reasonableness of withholding such consent, no disclosure shall be made prior to a resolution of such disagreement by a court

of competent jurisdiction, provided that the limitations in this sentence shall not apply in the case of disclosure required by law and so certified as provided in the first sentence of this paragraph.

(c) Upon any member of the Verizon Group or any member of the Spinco Group receiving any subpoena or other compulsory disclosure notice from a court, other governmental agency or otherwise which requests disclosure of Privileged Information, in each case relating to pre-Distribution Spinco Business or Verizon Business, as applicable, or, in the case of the Spinco Group, relating to or arising in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date, the recipient of the notice shall as promptly as practicable provide to the other Group (following the notice provisions set forth herein) a copy of such notice, the intended response, and all materials or information relating to the other Group that might be disclosed and the proposed date of disclosure. In the event of a disagreement as to the intended response or disclosure, unless and until the disagreement is resolved as provided in paragraph (b) of this Section, the parties shall cooperate to assert all defenses to disclosure claimed by either party's Group, and shall not disclose any disputed documents or information until all legal defenses and claims of privilege have been finally determined, except as otherwise required by a court order requiring such disclosure.

Section 8.3 Production of Witnesses. Subject to Section 8.2, after the Distribution Date, each of Verizon and Spinco shall, and shall cause each member of its respective Group to make available to Spinco or Verizon or any member of the Spinco Group or of the Verizon Group, as the case may be, upon reasonable prior written request, such Group's directors, managers or other persons acting in a similar capacity, officers, employees and agents as witnesses to the extent that any such Person may reasonably be required in connection with any Litigation Matters, administrative or other proceedings in which the requesting party may from time to time be involved and relating to the pre-Distribution Spinco Business or Verizon Business, as applicable, or, in the case of the Spinco Group, relating to or in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date. The costs and expenses incurred in the provision of such witnesses shall be paid by the party requesting the availability of such persons.

Section 8.4 Retention of Information. Except as otherwise agreed in writing, or as otherwise provided in the other Transaction Agreements, each of Verizon and Spinco shall, and shall cause the members of the Group of which it is a member to, retain all Information in such party's Group's possession or under its control, relating directly and primarily to the pre-Distribution business, Assets or Liabilities of the other party's Group for so long as such Information is retained pursuant to such party's general document retention policies as of such time or such later date as may be required by law, except that if, prior to the expiration of such period, any member of either party's Group

wishes to destroy or dispose of any such Information that is at least three years old, prior to destroying or disposing of any of such Information, (a) the party whose Group is proposing to dispose of or destroy any such Information shall provide no less than 30 days' prior written notice to the other party, specifying the Information proposed to be destroyed or disposed of, and (b) if, prior to the scheduled date for such destruction or disposal, the other party requests in writing that any of the Information proposed to be destroyed or disposed of be delivered to such other party, the party whose Group is proposing to dispose of or destroy such Information promptly shall arrange for the delivery of the requested Information to a location specified by, and at the expense of, the requesting party. This Section 8.4 shall not apply to Information referred to in clauses (x) and (y) of Section 8.1(c).

Section 8.5 Confidentiality. Subject to Section 8.2, which shall govern Privileged Information, from and after the Distribution Date, each of Verizon and Spincos shall hold, and shall use commercially reasonable efforts to cause its Affiliates and Representatives to hold, in strict confidence all Information concerning the other party's Group obtained by it or furnished to it by such other party's Group pursuant to this Agreement or the other Transaction Agreements and shall not release or disclose such Information to any other Person, except its Affiliates and Representatives, who shall be advised of the provisions of this Section 8.5, and each party shall be responsible for a breach by any of its Affiliates or Representatives; provided, however, that any member of the Verizon Group or the Spincos Group may disclose such Information to the extent that (a) disclosure is compelled by judicial or administrative process or, based on advice of such Person's counsel, by other requirements of law or regulation including without limitation filing requirements with the U.S. Securities and Exchange Commission, or (b) such party can show that such Information was (i) in the public domain through no fault of such Person or (ii) lawfully acquired by such Person from another source after the time that it was furnished to such Person by the other party's Group, and not acquired from such source subject to any confidentiality obligation on the part of such source known to the acquirer. Notwithstanding the foregoing, each of Verizon and Spincos shall be deemed to have satisfied its obligations under this Section 8.5 with respect to any Information (other than Privileged Information) if it exercises the same care with regard to such Information as it takes to preserve confidentiality for its own similar Information.

Section 8.6 Cooperation with Respect to Government Reports and Filings. Verizon, on behalf of itself and each member of the Verizon Group, agrees to provide any member of the Spincos Group, and Spincos, on behalf of itself and each member of the Spincos Group, agrees to provide any member of the Verizon Group, with such cooperation and Information (with regard to Verizon and the Verizon Group, with respect to the Spincos Business only) as may be reasonably requested by the other in connection with the preparation or filing of any government report or other government filing contemplated by this Agreement or in conducting any other government proceeding relating to the pre-Distribution business of the Verizon Group or the Spincos Group,

Assets or Liabilities of either Group or relating to or in connection with the relationship between the Groups on or prior to the Distribution Date. Such cooperation and Information shall include promptly forwarding copies of appropriate notices, forms and other communications received from or sent to any government authority which relate to the Verizon Group, in the case of the Spinco Group, or the Spinco Group, in the case of the Verizon Group. All cooperation provided under this section shall be provided at the expense of the party requesting such cooperation. Each party shall make its employees and facilities available during normal business hours and on reasonable prior notice to provide explanation of any documents or Information provided hereunder.

## ARTICLE IX

### No Representations or Warranties

Section 9.1 No Representations or Warranties. Except as expressly set forth in any Transaction Agreement, Spinco and Verizon understand and agree that no member of the Verizon Group is representing or warranting to Spinco or any member of the Spinco Group in any way as to the Spinco Assets, the Spinco Business or the Spinco Liabilities. Except as expressly set forth in the Merger Agreement, Verizon and Spinco understand and agree that no member of the Spinco Group is representing or warranting to Verizon or any member of the Verizon Group in any way as to the Verizon Assets, the Verizon Business or the Verizon Liabilities.

## ARTICLE X

### Miscellaneous

Section 10.1 Complete Agreement. This Agreement, the Exhibits and the Disclosure Letter hereto, the other Transaction Agreements and other documents referred to herein shall constitute the entire agreement between the parties hereto with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. The Disclosure Letter delivered pursuant hereto is expressly made a part of, and incorporated by reference into, this Agreement. In the case of any conflict between the terms of this Agreement and the terms of any other Transaction Agreement, the terms of such other Transaction Agreement shall be applicable.

Section 10.2 Expenses. All fees and expenses and any other costs incurred by the parties in connection with the transactions contemplated hereby and by the Transaction Agreements shall be paid as set forth in Section 11.1 of the Merger Agreement.

Section 10.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflicts of laws principles.

Section 10.4 Notices. Prior to the Closing under the Merger Agreement, all notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following Business Day or if delivered by hand the following Business Day), (b) confirmed delivery of a standard overnight courier or when delivered by hand or (c) the expiration of five Business Days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the parties at such addresses as may be specified by the parties from time to time. Following the Closing notices shall be sent to Verizon and the Company (as successor by merger to Spinco) in accordance with Section 11.2 of the Merger Agreement, or to such other address as any party hereto may have furnished to the other parties by a notice in writing in accordance with this Section.

Section 10.5 Amendment and Modification. This Agreement may be amended, modified or supplemented, and any provision hereunder may be waived, prior to the Effective Time, only by a written agreement signed by the parties hereto.

Section 10.6 Successors and Assigns; No Third-Party Beneficiaries. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns, but neither this Agreement nor any of the rights, interests and obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties and a Company Consent. This Agreement is solely for the benefit of Verizon, Spinco and the Company and their respective Subsidiaries and Affiliates and is not intended to confer upon any other Persons any rights or remedies hereunder.

Section 10.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 10.8 Interpretation. The Article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties hereto and shall not in any way affect the meaning or interpretation of this Agreement.

Section 10.9 Severability. If any provision of this Agreement or the application thereof to any person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been

held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party.

Section 10.10 References; Construction. References to any “Article,” “Exhibit,” or “Section,” without more, are to Articles, Exhibits and Sections to or of this Agreement. Unless otherwise expressly stated, clauses beginning with the term “including” or similar words set forth examples only and in no way limit the generality of the matters thus exemplified.

Section 10.11 Termination. Notwithstanding any provision hereof, in the event of termination of the Merger Agreement, this Agreement may be terminated and the Distribution abandoned at any time prior to the Distribution by and in the sole discretion of Verizon. In the event of such termination, no party hereto or to any other Transaction Agreement (other than the Merger Agreement to the extent provided therein) shall have any Liability to any Person by reason of this Agreement or any other Transaction Agreement (other than the Merger Agreement to the extent provided therein).

Section 10.12 Consent to Jurisdiction and Service of Process. THE PARTIES AGREE THAT IRREPARABLE DAMAGE WOULD OCCUR IN THE EVENT THAT ANY OF THE PROVISIONS OF THIS AGREEMENT WERE NOT PERFORMED IN ACCORDANCE WITH THEIR SPECIFIC TERMS OR WERE OTHERWISE BREACHED. IT IS ACCORDINGLY AGREED THAT THE PARTIES SHALL BE ENTITLED TO AN INJUNCTION OR INJUNCTIONS TO PREVENT BREACHES OF THIS AGREEMENT AND TO ENFORCE SPECIFICALLY THE TERMS AND PROVISIONS OF THIS AGREEMENT IN ANY COURT OF THE UNITED STATES LOCATED IN THE STATE OF NEW YORK, THIS BEING IN ADDITION TO ANY OTHER REMEDY TO WHICH THEY ARE ENTITLED AT LAW OR IN EQUITY. IN ADDITION, EACH OF THE PARTIES HERETO (A) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF ANY FEDERAL COURT LOCATED IN THE STATE OF NEW YORK IN THE EVENT ANY DISPUTE ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (B) AGREES THAT IT WILL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT AND (C) AGREES THAT IT WILL NOT BRING ANY ACTION RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY COURT OTHER THAN A FEDERAL COURT SITTING IN THE STATE OF NEW YORK. NOTWITHSTANDING THIS SECTION 10.12, ANY DISPUTE REGARDING THE CLOSING STATEMENT SHALL BE RESOLVED IN ACCORDANCE WITH ARTICLE V HEREOF; PROVIDED THAT SUCH ARTICLE V MAY BE ENFORCED BY EITHER PARTY IN ACCORDANCE WITH TERMS OF THIS SECTION 10.12.

Section 10.13 Waivers. Except as provided in this Agreement, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder shall not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

Section 10.14 Waiver of Jury Trial. Each of the parties hereto irrevocably and unconditionally waives all right to trial by jury in any litigation, claim, action, suit, arbitration, inquiry, proceeding, investigation or counterclaim (whether based in contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the parties hereto in the negotiation, administration, performance and enforcement thereof.

[SIGNATURE PAGE FOLLOWS]



IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

VERIZON COMMUNICATIONS INC.

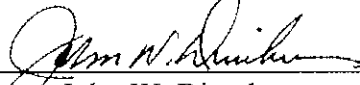
By: \_\_\_\_\_  
Name:  
Title:

NORTHERN NEW ENGLAND  
SPINCO INC.

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

By:   
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By: Stephen E. Smith  
Name: Stephen E. Smith  
Title: Vice President

**NH Docket DT 07-011**  
**Exhibit SES-3**  
**Employee Matters Agreement**

EXECUTION COPY

## **Employee Matters Agreement**

This Employee Matters Agreement (this “Agreement”), dated as of January 15, 2007 is by and among Verizon Communications Inc., a Delaware corporation (“Verizon”), Northern New England Spinco, Inc. (“Spinco”), a Delaware corporation, and FairPoint Communications, Inc., a Delaware corporation (“FairPoint”) (each a “Party” and collectively, the “Parties”), and effective as of the Effective Time of the Merger Agreement.

WHEREAS, the Board of Directors of Verizon has determined that it is in the best interests of Verizon and its stockholders to contribute the Spinco Business (as defined below) to a subsidiary of Spinco and to separate Spinco into an independent company that will simultaneously merge with and into FairPoint, an independent public company;

WHEREAS, in furtherance of the foregoing, Verizon and Spinco have entered into a Distribution Agreement, dated as of January 15, 2007 (the “Distribution Agreement”) that will govern the terms and conditions relating to the separation between Verizon and Spinco; and

WHEREAS, in furtherance of the foregoing, Verizon, Spinco and FairPoint have entered into a Merger Agreement, dated as of January 15, 2007 (the “Merger Agreement”) that will govern the terms and conditions relating to the merger of Spinco with and into FairPoint; and

WHEREAS, in connection with the foregoing, Verizon, Spinco and FairPoint have agreed to enter into this Agreement for the purpose of allocating current and former employees and employment related assets, liabilities, and responsibilities with respect to

employee compensation and benefits, collective bargaining and other employment related matters; and

WHEREAS, the parties to this Agreement intend that, in accordance with the terms and conditions set forth herein, the Spinco Employees (as defined below) shall maintain uninterrupted continuity of employment, compensation and benefits and, also, with respect to union represented employees, uninterrupted continuity of representation for purposes of collective bargaining and uninterrupted continuity of coverage under their collective bargaining agreements throughout each of the internal restructurings and the merger as contemplated by the Distribution Agreement and the Merger Agreement, including, but not limited to, the Internal Spinoffs, the Internal Restructurings, the Contribution, Distribution and Merger.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Parties agree as follows:

## ARTICLE I. DEFINITIONS

### Section 1.1. Definitions

“Agreement” means this Employee Matters Agreement, and all exhibits, schedules, appendices and annexes hereto.

“Benefit Payments” has the meaning ascribed to it in Section 5.3.

“COBRA” has the meaning ascribed to it in Section 6.3.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Contributing Companies” has the meaning ascribed to it in the Distribution Agreement.

“Contribution” has the meaning ascribed to it in the Distribution Agreement.

“Distribution” has the meaning ascribed to it in the Distribution Agreement.

“Distribution Agreement” has the meaning ascribed to it in the second recital to this Agreement.

“Distribution Date” has the meaning ascribed to it in the Distribution Agreement.

“EDP” means the Verizon Executive Deferral Plan.

“Effective Time” has the meaning ascribed thereto in the Merger Agreement.

“Excess Plan” has the meaning ascribed to it in Section 5.1.

“FairPoint” means FairPoint Communications, Inc.

“FairPoint Group” means FairPoint and the FairPoint Subsidiaries.

“FairPoint Indemnitees” means FairPoint and each Affiliate of FairPoint immediately after the Effective Time and each of their respective present and former

Representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

“FairPoint Liabilities” means the liabilities assumed by FairPoint pursuant to Section 11.1(b) hereof.

“FairPoint Subsidiaries” mean all direct and indirect Subsidiaries of FairPoint immediately after the Effective Time.

“FairPoint Transition Employees and Contractors” has the meaning ascribed to it in Section 4.2(d).

“Final Asset Transfer” has the meaning ascribed to it in Section 5.2.

“Former Spinco Employee” means any individual who had at any time provided services in respect of the Spinco Business, but as of the Effective Time, is neither then actively employed by the Spinco Business, nor then on an approved Leave of Absence or Layoff with Right of Recall from any member of the Verizon or Spinco Groups.

“FRP” means the Verizon Flexible Reimbursement Plan.

“FRP Participants” has the meaning set forth in Section 6.2(c).

“Governmental Authority” has the meaning set forth in the Distribution Agreement.

“IDP” means the Verizon Income Deferral Plan.



“Indemnifiable Losses” means all Losses, Liabilities, damages, claims, demands, judgments or settlements of any nature or kind, including all costs and expenses (legal, accounting or otherwise) that are reasonably incurred relating thereto, suffered by an Indemnitee, including any costs or expenses of enforcing any indemnity hereunder that are reasonably incurred and all Taxes resulting from indemnification payments hereunder.

“Indemnifying Party” means a Person that is obligated under this Agreement to provide indemnification.

“Indemnitee” means a Person that may seek indemnification under this Agreement.

“Initial Asset Transfer” has the meaning ascribed to it in Section 5.2.

“Internal Restructurings” has the meaning set forth in Section 2.1(a).

“Internal Spinoffs” has the meaning ascribed to it in the Merger Agreement.

“Layoff with Right of Recall” means any Represented Employee who has been formally laid off by any member of the Verizon Group or the Spinco Group under circumstances that entitle such Represented Employee to a right of recall by his or her employer and whose period of eligibility for recall pursuant to the NNETO CBAs has not expired as of the Effective Time.

“Leave of Absence” means a leave from active employment (i) granted in accordance with the applicable policies and procedures (including, but not limited to, any policy or procedures implemented to comply with the United Services Employment and

Reemployment Rights Act, the Family Medical Leave Act or similar state laws) of a member of the Verizon Group or (ii) arising due to an illness or injury that results in the individual being eligible for short term disability benefits, accident benefits or workers' compensation under the Verizon short-term disability or accident plan or state law, which, in either case, is scheduled or expected to end as of a date after the Effective Time. For the avoidance of doubt, any employee who is not at work on the day of the Effective Time due to vacation, sickness or accident that is not expected to qualify the individual for short-term disability or accident benefits, workers' compensation or other temporary absence, such as due to the use of personal days shall be considered to be actively at work on the day of the Effective Time. Any individual who is receiving long term disability benefits at the Effective Time shall not be considered to be on a "Leave of Absence" for purposes of this definition.

"Liabilities" means any and all obligations, benefit entitlements, losses, claims, charges, debts, demands, actions, costs and expenses (including those arising under any contract, collective bargaining agreement, or Plan, and administrative and related costs and expenses of any plan, program, or arrangement), of any nature whatsoever, whether absolute or contingent, vested or unvested, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising.

"Losses" has the meaning ascribed to it in the Distribution Agreement.

"Merger" has the meaning ascribed to it in the Merger Agreement.

"Merger Agreement" has the meaning ascribed to it in the third recital to this Agreement.

"NNETO" means Northern New England Telephone Operations, Inc.

“NETO CBAs” means any and all collective bargaining agreements governing the wages, hours, terms and conditions of employment of any Spinco Employee, including MOAs and MOUs, each of which is listed on Exhibit 2.1 hereof, and all collective bargaining practices of the Verizon Group with respect to such employees.

“North Accrued Benefits” has the meaning ascribed to it in Section 5.2(b).

“Original Option” has the meaning ascribed to it in Section 8.2.

“Outstanding Awards” has the meaning ascribed to it in Section 8.1.

“Party” has the meaning ascribed to it in the preamble to this Agreement.

“Parties” has the meaning ascribed to it in the preamble to this Agreement.

“Pension Plan Asset Transfer Amount” means, in the case of a transfer of assets and liabilities from a Verizon Pension Plan to a Spinco Pension Plan, the amount required to be transferred pursuant to Section 5.2.

“Person” has the meaning ascribed to it in the Distribution Agreement.

“PSU” has the meaning ascribed to it in Section 8.3.

“Record Date” has the meaning ascribed to it in the Distribution Agreement.

“Record Date Option” has the meaning ascribed to it in Section 8.4.

“Remaining Option” has the meaning ascribed to it in Section 8.2.

“Represented Employee” means any Spinco Employee whose wages, hours, terms and conditions of employment are governed by a NNETO CBA.

“Retained Employee” means any individual who, as of the Effective Time, (i) is actively employed by, or on an approved Leave of Absence or Lay-off with Right of Recall from, a member of the Verizon Group or the Spinco Group, (ii) had been primarily employed in the Spinco Business and (iii) whose employment a member of the Verizon Group determines not to transfer to a member of the FairPoint Group.

“Representative” means, with respect to any Person, any of such Person’s directors, managers or persons acting in a similar capacity, officers, employees, agents, consultants, financial and other advisors, accountants, attorneys and other representatives.

“RSU” has the meaning ascribed to it in Section 8.3.

“Sales Commission Program” means the programs listed on Exhibit B of this Agreement.

“Short Term Incentive Plan” means the Plans listed on Exhibit C of this Agreement.

“Spinco Business” has the meaning ascribed to it in the Distribution Agreement.

“Spinco Common Stock” has the meaning ascribed to it in the Distribution Agreement.

“Spinco Dependents” means, with respect to any Spinco Employee, any dependent of such person who is eligible to receive benefits under the terms of any applicable Spinco Plan.

“Spinco Employee” means any individual who (i) is either actively employed (whether on a full or part-time basis) by, or is on a Leave of Absence or Layoff with Right of Recall from, a member of the Spinco or Verizon Group, whose primary duties at the Effective Time (or, in respect of an individual on a Leave of Absence or Layoff with Right of Recall, on his or her last date of active employment) were related to the Spinco Business, and (ii) is not a Retained Employee.

“Spinco Excess Pension Plan” has the meaning given to it in Section 5.1.

“Spinco FSA” has the meaning ascribed to it in Section 6.2.

“Spinco Group” means Spinco and each entity that is one of its Subsidiaries immediately prior to the Effective Time.

“Spinco Liabilities” means the liabilities assumed by Spinco pursuant to Section 11.1(a) hereof.

“Spinco Management Pension Plan” has the meaning ascribed to it in Section 5.1.

“Spinco Mirror Plans” means the Spinco Welfare Plans, the Spinco Union Pension Plan, the Spinco Management Pension Plan, the Spinco Excess Pension Plan and, the Spinco Savings Plans.

“Spinco Pension Plans” mean the Spinco Management Pension Plan, the Spinco Excess Pension Plan and the Spinco Union Pension Plan.

“Spinco Plan” means any plan, policy, program, payroll practice, on-going arrangement, contract, trust, insurance policy or other agreement or funding vehicle, whether written or unwritten, maintained or sponsored by any member of the Spinco Group for the purpose of providing compensation or benefits to any Spinco Employee or Spinco Dependent.

“Spinco Savings Plan” has the meaning ascribed to it in Section 7.1.

“Spinco Subsidiary” has the meaning set forth in the Distribution Agreement.

“Spinco Trust” has the meaning ascribed to it in Section 5.2.

“Spinco Union Pension Plan” has the meaning ascribed to it in Section 5.2.

“Spinco Welfare Plans” mean the Plans established by FairPoint pursuant to Section 6.2 that correspond to the Verizon Welfare Plans.

“Subsidiary” has the meaning ascribed to it in the Distribution Agreement.

“Taxes” has the meaning ascribed to it in the Distribution Agreement.

“Territory” has the meaning ascribed to it in the Distribution Agreement.

“Third-Party Claim” has the meaning ascribed to it in the Distribution Agreement.

“Time-Off Benefits” has the meaning ascribed to it in Section 6.6.

“Transition Services Agreement” has the meaning ascribed to it in the Distribution Agreement.

“Unavailable Employee” has the meaning ascribed to it in Section 4.3.

“Verizon” means Verizon Communications Inc.

“Verizon Common Stock” has the meaning ascribed to it in the Distribution Agreement.

“Verizon Employee” means any individual who, at the relevant time, is actively employed by, or on an approved leave of absence or lay-off with right of recall from, a member of the Verizon Group.

“Verizon Group” means Verizon and the Verizon Subsidiaries.

“Verizon Indemnitees” means Verizon, each Affiliate of Verizon immediately after the Contribution and each of their respective present and former Representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

“Verizon Liabilities” means all Liabilities of Verizon or any of the Verizon Subsidiaries. In no event shall the term Verizon Liabilities include any Liabilities that are transferred from or otherwise cease to be Liabilities of any Verizon Group pursuant to this Agreement or that are to, or have become, Spinco Liabilities.

“Verizon Plan” means any plan, policy, program, payroll practice, on-going arrangement, contract, trust, insurance policy or other agreement or funding vehicle, whether written or unwritten, maintained or sponsored by Verizon or any of its Subsidiaries or Affiliates (or any of their respective predecessors) at any time on or prior to the Distribution Date for the purpose of providing compensation or benefits to any current or former employee of any such person.

“Verizon Pension Plans” mean the VMPP, the Verizon Excess Pension Plan, the VEMPP, and the Verizon Pension Plan for New York and New England Associates, as each such plan is amended from time to time.

“Verizon Pre-Distribution Stock Value” means the closing price per share of Verizon Common Stock trading on the “regular way” basis (based on the reported value inclusive of the right to participate in the Distribution) on the Distribution Date.

“Verizon Post-Distribution Stock Value” means the opening price per share of Verizon Common Stock on the first trading day following the Distribution Date; provided that, in no event shall such Verizon Post-Distribution Stock Value be less than the Verizon Pre-Distribution Stock Value.

“Verizon Savings Plans” mean the Verizon Savings Plan for Management Employees, and the Verizon Savings and Security Plan for New York and New England Associates, as each such plan is amended from time to time.

“Verizon Share Ratio” means the quotient obtained by dividing the Verizon Pre-Distribution Stock Value by the Verizon Post-Distribution Stock Value.

“Verizon Stock Option” has the meaning ascribed to it in Section 8.2.



“Verizon Subsidiaries” mean all direct and indirect Subsidiaries that are, or continue to be, Subsidiaries of Verizon immediately after the Distribution Date. For the avoidance of doubt, for purposes of this Agreement no member of the Spinco Group or the FairPoint Group shall be a Verizon Subsidiary.

“Verizon Transition Employees and Contractors” has the meaning ascribed to it in Section 4.2(c).

“Verizon Trust” has the meaning ascribed to it in Section 5.2(c).

“Verizon Welfare Plans” has the meaning ascribed to it in Section 6.1.

“VMPP” has the meaning ascribed to it in Section 5.1.

“VNE” means Verizon New England Inc.

Section 1.2. Capitalized Terms. Any other capitalized term used, but not defined herein, but defined in the Distribution Agreement or the Merger Agreement, shall have the meaning ascribed thereto in the Distribution Agreement or the Merger Agreement.

ARTICLE II.  
COLLECTIVE BARGAINING AGREEMENTS AND OBLIGATIONS

Section 2.1. Assumption and Continuation of Agreements

(a) Distribution

(i) Prior to the Distribution Date, in connection with each of the internal restructurings, Internal Spinoffs and the contributions undertaken by Verizon in contemplation of, and in connection with, the Contribution, Distribution and Merger, including the Internal Spinoffs, Internal Restructurings and Contributions to be effected in accordance with the Distribution Agreement (the “Internal Restructurings”), Verizon shall cause one or more members of the Verizon Group to take any and all actions needed to effectuate: (1) the continued uninterrupted employment of the Represented Employees, in accordance with the NNETO CBAs, by the appropriate member of the Verizon Group, and (2) the assumption and uninterrupted continuation of the NNETO CBAs covering the Represented Employees by the appropriate member of the Verizon Group, including but not limited to, (i) the continued uninterrupted representation for purposes of collective bargaining of those Represented Employees by their unions, in accordance with the NNETO CBAs, with the appropriate member of the Verizon Group, (ii) the continued uninterrupted compensation of the Represented Employees in accordance with the NNETO CBAs, and (iii) the continued uninterrupted benefit coverage of the Represented Employees under the appropriate Verizon Plans in accordance with the NNETO CBAs. Without limiting the generality of the foregoing, Verizon shall cause:

(1) VNE to form NNETO and at and from (x) the time that VNE contributes to NNETO its assets and liabilities associated with the Spinco Business and its Spinco Employees (including, but not limited to, Represented Employees) until (y) the Distribution Date, Verizon shall add and maintain NNETO as a participating company in the Verizon Plans in which the Represented Employees are eligible to participate and shall also cause NNETO to, and NNETO shall, (1) employ the Represented Employees in accordance with the NNETO CBAs, and (2) assume and honor the NNETO CBAs governing the employment of such Represented Employees, including but not limited to, (i) recognize the unions representing those Represented Employees as their collective bargaining representative in accordance with the NNETO CBAs, (ii) continue uninterrupted the compensation of the Represented Employees in accordance with the NNETO CBAs, and (iii) become a participating company in the Verizon Plans in which such Represented Employees are eligible to participate in accordance with the NNETO CBAs; and

(2) at and from the time that each Contributing Company other than VNE contributes to NNETO its assets and liabilities associated with the Spinco Business and its Spinco Employees (including, but not limited to, Represented Employees) until (y) the Distribution Date, NNETO shall, (1) employ the Represented Employees in accordance with the NNETO CBAs, and (2) assume and honor the NNETO CBAs governing the employment of such Represented Employees, including, but not limited to, (i) recognize the unions representing those Represented Employees as their collective bargaining representative in accordance with the NNETO CBAs, (ii) continue uninterrupted the compensation of such Represented Employees in accordance with NNETO CBAs, and (iii) acknowledge that NNETO is the participating company in the Verizon Plans in which the Represented

Employees are eligible to participate in accordance with the NNETO CBAs; and,

(3) Spinco to be formed, and at and from (x) the time that Verizon contributes to Spinco the stock of NNETO until (y) the Distribution Date, Verizon and Spinco shall cause NNETO to, and NNETO shall, (1) continue to employ the Represented Employees in accordance with the NNETO CBAs, and (2) continue to honor the NNETO CBAs governing the employment of the Represented Employees, including but not limited to, (i) continue to recognize the unions representing those Represented Employees as their collective bargaining representative in accordance with the NNETO CBAs, (ii) continue uninterrupted the compensation of such Represented Employees in accordance with NNETO CBAs, and (iii) acknowledge that NNETO is a participating company in the Verizon Plans in which the Represented Employees are eligible to participate in accordance with the NNETO CBAs. Verizon shall also cause Spinco to create and become the sponsor of, as of the Distribution Date, mirror benefit plans identical in all material respects to the Verizon Plans covering the Represented Employees prior to the Distribution Date and provide funding, as of the Distribution Date, in accordance with the express provisions of this Agreement, for the Spinco Pension Plan covering Represented Employees.

(ii) As of and after the Distribution Date, Spinco shall:

(1) adopt and sponsor, or cause to be adopted or sponsored by the appropriate member of the Spinco Group, the Spinco Mirror Plans which, in respect of the participation therein by the Represented Employees, are to be

identical in all material respects to the Verizon Plans covering the Represented Employees prior to the Distribution Date;

(2) acknowledge that NNETO is the participating company in the Spinco Mirror Plans in which such Represented Employees are eligible to participate;

(3) provide funding, as of the Distribution Date, in accordance with the express provisions of this Agreement, for the Spinco Pension Plan covering Represented Employees, and,

(4) cause the trustee of the Spinco Trust to accept and administer the Spinco trust assets funding the Spinco Pension Plan covering the Represented Employees; and,

(5) cause NNETO and each other appropriate member of the Spinco Group to (1) continue to employ the Represented Employees in accordance with the NNETO CBAs, and (2) continue to honor the NNETO CBAs, including but not limited to, (i) continue to recognize the unions representing those Represented Employees as their collective bargaining representative in accordance with the NNETO CBAs, (ii) continue uninterrupted the compensation of such Represented Employees in accordance with the NNETO CBAs, and (iii) acknowledge that NNETO is the participating company in the Spinco Plans in which the Represented Employees are eligible to participate in accordance with the NNETO CBAs.

As of and after the Distribution Date, any and all obligations of any member of the Verizon Group arising under, relating to or resulting from the

NNETO CBAs, and the Spinco Mirror Plans, shall become and be solely the obligations of the Spinco Group and shall be performed by Spinco and its Subsidiaries. Without limiting the generality of the foregoing, as of the Distribution Date, the appropriate member of the Spinco Group shall have assumed and shall thereafter honor the NNETO CBAs.

(b) Merger

(i) As of and after the Effective Time, FairPoint shall:

(1) assume and become the sponsor of, or cause the appropriate member of the FairPoint Group to assume and become the sponsor of, the Spinco Mirror Plans covering Represented Employees;

(2) cause the trustee of the Spinco Trust to accept and administer the Spinco trust assets funding the pension plan covering the Represented Employees;

(3) acknowledge that NNETO is the participating company in the Spinco Mirror Plans in which such Represented Employees are eligible to participate; and

(4) cause NNETO and each other appropriate member of the FairPoint Group to (1) continue to employ the Represented Employees in accordance with the NNETO CBAs, and (2) continue to honor the NNETO CBAs, including but not limited to, (i) continue to recognize the unions representing those Represented Employees as their collective bargaining representative in accordance with the NNETO CBAs, (ii) continue uninterrupted the

compensation of such Represented Employees in accordance with the NNETO CBAs, and (iii) acknowledge that NNETO or such other member of the FairPoint Group is the participating company in the Spinco Plans in which the Represented Employees are eligible to participate in accordance with the NNETO CBAs.

(ii) As of and after the Effective Time, any and all obligations of any member of the Verizon Group arising out of, relating to or resulting from the NNETO CBAs, the Verizon Plans, and the Spinco Plans with respect to such Represented Employees shall become and be solely the obligations of the FairPoint Group and shall be performed by the FairPoint Group; provided that Verizon shall be responsible for (1) all Liabilities attributable to any individual who is a Former Spinco Employee and (2) all Liabilities relating to (A) medical or dental insurance claims in respect of services that were performed or goods provided and with respect to which the claim has been submitted prior to the Effective Time and (B) life insurance and disability claims in respect of deaths or disabilities occurring prior to the Effective Time. For the avoidance of doubt, with respect to any payments due to any Represented Employee under the terms of the Verizon short term disability plan, the obligations to make payments with respect to any period prior to the Effective Time shall remain with Verizon, and the obligations to make any payments with respect to any period at or after the Effective Time shall be the sole responsibility of FairPoint or a Spinco Plan. Without limiting the generality of the foregoing, as of the Effective Time, the appropriate member of the FairPoint Group shall have assumed and shall thereafter honor the NNETO CBAs, provided, however, that nothing in this section 2.1(b) or this Agreement shall preclude FairPoint or, as applicable, any member of the FairPoint Group from bargaining in good faith, after the Effective Time, with the unions representing those Represented Employees.

(c) Compensation and Benefits of Represented Employees. Without limiting the generality of the foregoing, (i) from the consummation of each of the steps of the

Internal Restructurings and prior to the Distribution Date, Verizon, and (ii) as of the Distribution Date, Spinco and (iii) as of the Effective Time, FairPoint shall each be responsible to, and shall, assure that the compensation, benefits, hours, terms and conditions of employment of Represented Employees shall continue to be governed by the NNETO CBAs.



ARTICLE III.  
SPINCO PLANS GENERALLY

Section 3.1. Establishment of Spinco Plans

FairPoint shall have adopted, or shall have assumed, the following Spinco Mirror Plans: the Spinco Welfare Plans, the Spinco Savings Plans, the Spinco Union Pension Plan, the Spinco Management Pension Plan and the Spinco Excess Pension Plan. FairPoint or a member of the Spinco Group shall be or become the plan sponsor of, and from and after the Effective Time shall have sole responsibility for each Spinco Mirror Plan, except to the extent that Verizon is responsible for certain pre-Effective Time liabilities as specified in Section 2(b)(ii) for Represented Employees (and dependents) and Section 6.1(a) for all other Spinco Employees and Spinco Dependents. Each Spinco Mirror Plan shall be identical in all material respects to the corresponding Verizon Plans as in effect immediately prior to the Distribution Date.

Section 3.2. Terms of Participation by Spinco Employees

Each of the Spinco Mirror Plans shall be, with respect to Spinco Employees who are participants in such plan, in all respects the successors in interest to and shall recognize all rights and entitlements as of the Effective Time under the corresponding Verizon Plan in which such Spinco Employee participated prior to the Effective Time. Verizon and FairPoint agree that Spinco Employees are not entitled to receive duplicative benefits from the Verizon Plans, the Spinco Plans, and, if applicable, any collective bargaining agreements. Notwithstanding the immediately preceding sentence, a member of the Verizon Group or, if applicable, the Verizon Welfare Plans shall assume and remain responsible for payment of the Liabilities specified in Section 2.1(b)(ii) hereof for

Represented Employees (and dependents) and Section 6.1(a) for all other Spinco Employees and Spinco Dependents.

With respect to Spinco Employees, each Spinco Mirror Plan shall provide that all service, all compensation, and all other factors affecting benefit determinations that, as of the Distribution Date, were recognized under the corresponding Verizon Plan (for periods immediately before the Distribution Date) shall receive full recognition, credit, and validity and be taken into account under such Spinco Mirror Plan to the same extent as though arising under such Spinco Mirror Plan, except to the extent that duplication of benefits would result. All beneficiary designations made by Spinco Employees under the corresponding Verizon Plan shall be transferred to and be in full force and effect under the corresponding Spinco Mirror Plans until such beneficiary designations are replaced or revoked by the Spinco Employee who made the beneficiary designation.

Notwithstanding the foregoing provisions of this Section 3.2 and subject to any collective bargaining agreements and obligations, nothing in this Agreement other than those provisions specifically set forth herein to the contrary shall preclude FairPoint (or, as applicable, any member of the FairPoint Group) from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect after the Effective Time any Spinco Plan, any benefit under any Plan or any trust, insurance policy or funding vehicle related to any Spinco Plan.

#### ARTICLE IV. EMPLOYEES

##### Section 4.1. Employees

(a) General. To the extent that any individual defined as a Spinco Employee will not automatically become or continue to be an employee of the FairPoint Group as of

the Effective Time as a result of the internal restructuring undertaken by Verizon in contemplation of, and in connection with, the Distribution and Merger, and as a result of the Merger, Verizon agrees to cause the employment of such Spinco Employees to be transferred to the appropriate member of the FairPoint Group, and the appropriate member of the FairPoint Group agrees to accept such transferred employee, as of the Effective Time. To the extent that any employees of a member of the Verizon Group working in the Territory, as of the date of the execution of this Agreement, who support primarily the local telephone operations of VNE in any New England state do not primarily support the Spinco Business, except for employees performing services to be provided pursuant to the Transition Services Agreement, or otherwise provided by Spinco after the Effective Time, Verizon shall use commercially reasonable best efforts to realign the work of such employees so that their work is primarily in support of the Spinco Business as of the Effective Time. Verizon shall provide Spinco with a list of all Spinco Employees who are on Leave of Absence or Lay-off with Right of Recall within 5 days of the Effective Time. Notwithstanding the foregoing, Retained Employees and all other individuals employed by the Verizon Group at the Effective Time who are not Spinco Employees shall remain employees of Verizon or another member of the Verizon Group immediately following such Effective Time. Verizon shall identify each Retained Employee by written notice delivered to FairPoint promptly following the time at which such person has been identified as a Retained Employee, but in all events not later than six calendar months following the execution of the Merger Agreement. In addition, not later than six calendar months following the execution of the Merger Agreement, Verizon shall identify by name each individual who is reasonably anticipated to be a Spinco Employee, and shall periodically update this list as reasonably requested by FairPoint during the period through the Effective Time.

(b) Compensation and Benefits of Represented Employees. Without limiting the generality of anything in this Agreement, the compensation, benefits, hours, terms

and conditions of employment of Represented Employees shall continue to be determined in accordance with the applicable NNETO CBAs.

(c) Non-Termination of Employment or Benefits. Except as otherwise expressly and specifically provided herein, (i) no provision of this Agreement, the Distribution Agreement or the Merger Agreement, (ii) no actions or restructurings internal to the Verizon Group or the Spinco Group taken in contemplation of, or in connection with, this Agreement, the Distribution Agreement or the Merger Agreement, (iii) no actions taken by or between the Verizon Group and the Spinco Group at the times of the Internal Restructurings and Distribution, and (iv) no actions taken by or between the Verizon Group, the Spinco Group and the FairPoint Group at the times of the Distribution and Merger, shall be construed to create any right, or accelerate any entitlement, to any compensation or benefit whatsoever on the part of any employee employed by any member of the Verizon Group or the FairPoint Group, or to limit the ability of the FairPoint Group to administer any Spinco Plan in accordance with its terms (subject to any applicable collective bargaining agreement). Without limiting the generality of the foregoing, nothing described above in 4.1(c) shall cause any employee of any member of the Verizon Group or the Spinco Group, or any Spinco Employee employed by a member of the FairPoint Group to be deemed to have incurred a termination of employment or to have created any entitlement to any severance benefits or the commencement of any other benefits under any Verizon Plan or any collective bargaining agreement.

(d) No Right to Continued Employment. Subject to the NNETO CBAs, nothing contained in this Agreement shall confer on any employee of any member of the Verizon Group or any Spinco Employee any right to continued employment. Except as specifically provided otherwise herein (including, but not limited to, Section 4.1(b) and 4.1(e)), and subject to the NNETO CBAs, this Agreement shall not limit the ability of FairPoint to change, at any time after the Effective Time and in its sole discretion, a

Spinco Employee's position, compensation or benefits for performance-related, business or any other reasons or require any member of the FairPoint Group to continue the employment of a Spinco Employee for any particular period of time after the Effective Time, provided that FairPoint shall bear all liability for any such termination of employment, and, with respect to any such terminations of or modification of the terms and conditions of employment of any Spinco Employee occurring prior to the first anniversary of the Effective Time, shall provide to any terminated Spinco Employee (other than a Represented Employee) severance and termination benefits no less favorable in the aggregate than the severance and termination benefits that are described on Schedule 4.1(d) to this Agreement.

(e) Continuation of Compensation and Benefits for Spinco Employees who Are Not Represented Employees. With respect to Spinco Employees who are not Represented Employees, for a period of one year following the Effective Time, FairPoint shall, or shall cause another member of the FairPoint Group, (i) to pay all such non-represented Spinco Employees at least the same rate of base salary as was paid to each such non-represented Spinco Employee by the Verizon Group immediately prior to the Effective Time, (ii) to continue to provide performance and other bonus opportunities to each such non-represented Spinco Employee that are identical in all material respects to the performance and other bonus opportunities described on Schedule 4.1(e) to this Agreement, which were made available to such non-represented Spinco Employee immediately prior to the Effective Time, and (iii) to continue to provide each such non-represented Spinco Employee benefits, under the Spinco Mirror Plans, which are identical in all material respects to those made available to such non-represented Spinco Employees under the Verizon Plans immediately prior to the Effective Time.

(f) Certain Tax Matters. Verizon and FairPoint hereby agree that, for purposes of social security, unemployment and other U.S. payroll taxes and to the extent legally permissible, FairPoint, Spinco or NNETO shall be treated as a successor employer

with respect to each Spinco Employee in the calendar year that contains the Effective Time. In connection with the foregoing, the parties agree to follow the “Alternative Procedures” set forth in Section 5 of Revenue Procedure 2004-53. The parties understand and agree that FairPoint, Spinco or NNETO, as the successor employer, shall assume the entire Form W-2 reporting obligations for such Spinco Employees for the calendar year that contains the Effective Time, provided that Verizon shall provide reasonable assistance to FairPoint in completing such reporting obligations.

Section 4.2. No Solicitation of Employees

(a) Except as otherwise mutually agreed upon between the Parties, for the period commencing on the execution of this Agreement and ending twelve months from the Effective Time, in respect of Spinco Employees, neither Verizon nor any member of the Verizon Group shall, directly or indirectly, induce or attempt to induce any Spinco Employee to leave the employ of FairPoint or any member of the FairPoint Group or violate the terms of their contracts or any employment arrangements with FairPoint or any member of the FairPoint Group; provided, however, that neither Verizon nor any member of the Verizon Group shall be deemed to be in violation of this Section 4.2(a) solely by reason of a general job posting internal to members of the Verizon Group or a general solicitation to the public or general advertising.

(b) Except as otherwise mutually agreed upon between the Parties, for the period commencing on the execution of this Agreement and ending twelve months from the Effective Time, in respect of Verizon Employees, neither FairPoint nor any member of the FairPoint Group shall, directly or indirectly, induce or attempt to induce any Verizon Employee to leave the employ of Verizon or any member of the Verizon Group or violate the terms of their contracts or any employment arrangements with Verizon or any member of the Verizon Group; provided, however, that neither FairPoint nor any

member of the FairPoint Group shall be deemed to be in violation of this Section 4.2(b) solely by reason of a general job posting internal to members of the FairPoint Group or a general solicitation to the public or general advertising.

(c) Except as otherwise mutually agreed upon between the Parties, for the period commencing on the execution of this Agreement and ending twelve months from the termination of the Transition Services Agreement with respect to the services described in Schedule A thereto, in respect of Verizon Employees, contractors or vendors who will be, are or were providing transition services to FairPoint pursuant to the Transition Services Agreement (“Verizon Transition Employees and Contractors”), neither FairPoint nor any member of the FairPoint Group shall, directly or indirectly, induce or attempt to induce any Verizon Transition Employee or Contractor to leave the employ of Verizon or any member of the Verizon Group or violate the terms of their contracts or any employment arrangements with Verizon or any member of the Verizon Group or any of its contractors providing transition services; provided, however, that neither FairPoint nor any member of the FairPoint Group shall be deemed to be in violation of this Section 4.2(c) solely by reason of a general job posting internal to members of the FairPoint Group or a general solicitation to the public or general advertising.

(d) Except as otherwise mutually agreed upon between the Parties, for the period commencing on the execution of this Agreement and ending twelve months from the termination of the Transition Services Agreement with respect to the services described in Schedule A thereto, in respect of FairPoint Employees, contractors or vendors engaged in, providing or receiving transition services from Verizon pursuant to the Transition Services Agreement (“FairPoint Transition Employees and Contractors”), neither Verizon nor any member of the Verizon Group shall, directly or indirectly, induce or attempt to induce any FairPoint Transition Employee or Contractor to leave the employ of FairPoint or any member of the FairPoint Group or violate the terms of their

contracts or any employment arrangements with FairPoint or any member of the FairPoint Group or any of its contractors providing transition services; provided, however, that neither Verizon nor any member of the Verizon Group shall be deemed to be in violation of this Section 4.2(d) solely by reason of a general job posting internal to members of the Verizon Group or a general solicitation to the public or general advertising.

Section 4.3. Unavailable Employees.

(a) Notwithstanding anything to the contrary in Section 4.2, except as otherwise mutually agreed upon between the Parties, from the period beginning on the date on which the Merger Agreement is executed and ending on the first anniversary of the Effective Time, or, with respect to any Verizon and any FairPoint Transition Employee (which for this Section 4.3(a) shall not include employees of contractors providing transitions services to FairPoint), ending on the first anniversary of the ending date specified in the Transition Services Agreement with respect to the services described in Schedule A thereto; (i) neither FairPoint nor any member of the FairPoint Group shall employ any Verizon Employee, or Verizon Transition Employee or any employee of the Spinco Group that has voluntarily separated from employment with Verizon or any member of the Verizon Group within the immediately preceding six months; and, (ii) neither Verizon nor any member of the Verizon Group shall employ any FairPoint Employee or FairPoint Transition Employee that has voluntarily separated from employment with FairPoint or any member of the FairPoint Group within the immediately preceding six months, (each, an “Unavailable Employee”). After the six month anniversary of the voluntary separation of any Unavailable Employee, FairPoint or any member of the FairPoint Group and Verizon or any member of the Verizon Group, as the case may be, may offer employment to such individual in its sole discretion.



ARTICLE V.  
PENSION PLANSSection 5.1. Establishment of Pension Plans and Trusts

(a) Spinco Management Pension Plan and Excess Plan. Effective as of the Distribution Date, Spinco or NNETO shall establish two defined benefit pension plans for the benefit of employees who are not Represented Employees. One such plan will be responsible for benefits of participants and beneficiaries in the Verizon Management Pension Plan (the “VMPP”) who are Spinco Employees or are entitled to receive a benefit in respect of a Spinco Employee (the “Spinco Management Pension Plan”), and the other such plan will be responsible for benefits of participants and beneficiaries in the Verizon Excess Pension Plan (the “Excess Plan”) who are Spinco Employees or are entitled to receive a benefit in respect of a Spinco Employee (the “Spinco Excess Pension Plan”). Effective as of the Distribution Date, Spinco or NNETO shall establish the Spinco Trust. Spinco or NNETO shall provide FairPoint with a copy of those plans and such trust at least two months prior to their adoption in order to provide FairPoint an opportunity to comment on their form. Spinco and NNETO agree to consult with FairPoint and, subject to the obligations of the Parties under this Agreement, to reasonably consider such comments, but FairPoint’s comments shall be advisory only and Spinco and NNETO shall retain full discretion as to the form of the plans and trusts.

As of and from the Distribution Date until the Merger Date, Spinco, and, as of and from the Effective Time, FairPoint shall be responsible for taking or causing to be taken all necessary, reasonable, and appropriate action to establish, maintain and administer the Spinco Management Pension Plan, so that it qualifies under Section 401(a) of the Code and the related trust thereunder is exempt from Federal income taxation under Section 501(a) of the Code.

(b) Spinco Union Pension Plan and Trust. Effective as of the Distribution Date, Spinco or NNETO shall establish a defined benefit pension plan (the “Spinco Union Pension Plan”) and related trust to provide retirement benefits to Spinco Employees who are Represented Employees and to persons entitled to receive a benefit in respect of such a Spinco Employee, and who, in either case, are participants in or beneficiaries under the Verizon Pension Plan for New York and New England Associates as of the Distribution Date. Spinco or NNETO shall provide FairPoint with a copy of the Spinco Union Pension Plan at least two months prior to its adoption in order to provide FairPoint an opportunity to comment on its form. Spinco and NNETO agree to consult with FairPoint and, subject to the obligations of the Parties under this Agreement, to reasonably consider such comments, but FairPoint’s comments shall be advisory only and Spinco and NNETO shall retain full discretion as to the form of the plan.

As of and from the Distribution Date, Spinco, and as of and from the Effective Time, FairPoint shall be responsible for taking or causing to be taken all necessary, reasonable, and appropriate action to establish, maintain and administer the Spinco Union Pension Plan so that it qualifies under Section 401(a) of the Code and the related trust thereunder is exempt from Federal income taxation under Section 501(a) of the Code.

Section 5.2. Assumption of Pension Plan Liabilities and Allocation of Interests in the Verizon Pension Trusts

(a) Assumption of Liabilities by Spinco Pension Plan. Subject to the Pension Plan Asset Allocation specified below, effective as of the Distribution Date, all Liabilities under the Verizon Pension Plans to persons who are Spinco Employees and to persons who are entitled to receive a benefit in respect of such a Spinco Employee shall cease to be Liabilities of the Verizon Pension Plans and shall be assumed in full and in all respects by the corresponding Spinco Pension Plan. The “corresponding” plan shall be: (i) the

Spinco Management Pension Plan with respect to participants in the VMPP; and (ii) the Spinco Union Pension Plan with respect to participants in the Verizon Pension Plan for New York and New England Associates, with such determination being based on employment status (management or union-represented) as of the Distribution Date. Effective as of the Distribution Date, all Liabilities under the Excess Plan to persons who are Spinco Employees and to persons who are entitled to receive a benefit in respect of such a Spinco Employee shall cease to be Liabilities of the Excess Plan and shall be assumed in full and in all respects by the Spinco Excess Pension Plan. FairPoint shall be solely responsible for all ongoing rights of or relating to Spinco Employees for future participation in the Spinco Pension Plans and the Spinco Excess Pension Plan.

(b) Calculation of Pension Plan Asset Allocation. As soon as practicable after the Distribution Date, Verizon's actuary shall calculate and certify the Pension Plan Asset Transfer Amount for each Spinco Pension Plan (other than the Spinco Excess Pension Plan) as of the close of business of the day immediately preceding the Distribution Date. With respect to each such asset transfer, the asset transfer amount shall be equal to the present value of benefits in respect of Spinco Employees and persons entitled to receive a benefit in respect of such Spinco Employees on a plan termination basis, provided that the particular transfer under consideration satisfies the applicable de minimis rule under the IRS section 414(l) regulations. Consistent with the desire of the Parties that the de minimis rule be satisfied, Verizon's actuary shall make its determination regarding satisfaction of the de minimis rule in a manner that comports with all applicable law and is aimed at a result that satisfies the applicable de minimis rule, including the use of a permissible determination date that is in furtherance of such objective. In the event a particular transfer does not satisfy the de minimis rule, Verizon's actuary will perform an allocation under section 4044 of ERISA to determine the assets from the Verizon Pension Plan in question that may be transferred to the applicable Spinco Pension Plan. In the event the amount of assets to be transferred following the ERISA section 4044 analysis is less than the Projected Benefit Obligation ("PBO") for the Spinco participants under

consideration, Verizon will provide a supplemental amount of assets so that the funding in the Spinco Pension Plan under consideration is equal to the PBO funded-level. The assumptions to be used with respect to the foregoing are set forth in Exhibit A hereto entitled Actuarial Assumptions and Methods for Pension Asset Transfer.

Notwithstanding the foregoing in this Section 5.2(b), in the event the present value of the accrued benefits that are to be transferred from the Verizon Pension Plan for New York and New England Associates (the "North Accrued Benefits") can not be transferred in reliance on the applicable de minimis rule under the IRS section 414(l) regulations, an additional calculation shall be performed. Verizon's actuary shall subtract \$11,700,000 from the North Accrued Benefits and re-determine the percentage that such adjusted North Accrued Benefits would be of the assets of such Plan as of the most favorable permissible determination date. If the resulting percentage is equal to or in excess of three percent (3%), then the provisions above that apply to a transfer that does not satisfy the de minimis rule shall be followed, i.e., the provisions relating to funding to the PBO funded-level shall apply. If, however, the resulting percentage is less than three percent (3%), then Verizon will provide a supplemental amount of assets so that the funding in the Spinco Union Pension Plan is equal to the accrued present value of benefits in respect of Spinco Employees and persons entitled to receive a benefit in respect of such Spinco Employees as determined on a plan termination basis using the PBGC Plan Termination Assumptions under Exhibit A hereto.

Within ten (10) days after the date Verizon certifies to FairPoint the Pension Plan Asset Transfer Amount for each Spinco Pension Plan, Verizon's actuary shall provide FairPoint's actuary with a complete computer file containing the employee data and all other information used by Verizon's actuary or otherwise reasonably requested by FairPoint's actuary as needed to calculate the Pension Plan Asset Transfer Amount (including related data and information related to such calculation and otherwise appropriate for FairPoint's actuary to consider, and any other data and information reasonably requested by FairPoint's actuary). If FairPoint's actuary disagrees with the

determination of a Pension Plan Asset Transfer Amount, FairPoint may, within thirty (30) days after receipt from Verizon of such computer file and all other reasonably requested information, deliver a written notice to Verizon disagreeing with such calculation and setting forth FairPoint's calculation of the Pension Plan Asset Transfer Amount. The Parties shall, during the fifteen (15) days following such delivery, negotiate in good faith to reach an agreement on the disputed items or amounts in order to determine, as may be required, the amount of the Pension Plan Asset Transfer Amount, which amount shall not be more than the amount thereof shown in the calculations of FairPoint's actuary nor less than the amount shown in the calculations of Verizon's actuary. If the two actuaries are unable to agree on the amount of the Pension Plan Asset Transfer Amount during such fifteen (15)-day period, the Parties shall jointly select an independent third actuary with whom none of the parties have a material relationship, whose determination shall be binding on the Parties. The third actuary shall be directed to render a calculation of the Pension Plan Asset Transfer Amount in accordance with the provisions of this Agreement as promptly as practicable. Each of the Parties shall bear the fees, costs and expenses of their respective actuaries, and the fees, costs and expense of the third actuary shall be borne one-half by Verizon and one-half by FairPoint.

(c) Transfer of Assets to Spinco Pension Trust

(i) As soon as practicable after and effective as of the Distribution Date, Verizon shall cause to be transferred from the master trust established under the Verizon Pension Plans (the "Verizon Trust") to a master trust established in respect of the Spinco Pension Plans (the "Spinco Trust"), an initial amount of assets (the "Initial Asset Transfer"). The amount of the Initial Asset Transfer shall be equal to 80% of the amount the enrolled actuary for such Verizon Plan determines in good faith to be the approximate Pension Plan Asset Transfer Amount as of the date of the Initial Asset Transfer.

(ii) As soon as practicable after the final calculation of each Spinco Plan's Pension Plan Asset Transfer Amount pursuant to Section 6.2(b), if such amount exceeds the Initial Asset Transfer, Verizon will cause the applicable Verizon Trust to transfer to the Spinco Trust (the "Final Asset Transfer") assets in an amount equal to the Pension Plan Asset Transfer Amount with respect to each Spinco Pension Plan less the sum of (A) the Initial Asset Transfer and (B) the aggregate amount of benefit payments (the "Benefit Payments") made by the Verizon Pension Plan in respect of FairPoint Employees from and after the Distribution Date. The amount determined under the preceding sentence shall be increased or decreased, as the case may be, by the investment return on the applicable amount determined in accordance with the letter of direction agreed to by the Parties prior to the Effective Time (the "Letter of Direction"). If the sum of the Initial Asset Transfer plus the Benefit Payments exceeds the Pension Plan Asset Transfer Amount for a Spinco Pension Plan, then the portion of the Spinco Trust relating to such plan shall return such excess, increased or decreased by the investment return determined in accordance with the Letter of Direction from the date of the Initial Asset Transfer (or the date of the Benefit Payment, as the case may be) to the date of return, to the portion of the Verizon Trust relating to the corresponding Verizon Pension Plan.

(iii) The applicable investment return under subsection (c)(ii) above and the identification of the types of assets (cash and/or in kind assets) to be transferred from the Verizon Trust to the Spinco Trust in either the Initial Asset Transfer or the Final Asset Transfer shall be determined in accordance with the Letter of Direction, as the same may be amended by mutual agreement of Verizon and FairPoint prior to the date of such Final Assets Transfer. Verizon and FairPoint shall cooperate in determining what assets are transferred in kind as part of the Initial Asset Transfer and the Final Asset Transfer and Verizon shall not transfer any asset in kind which FairPoint reasonably determines is not readily

tradable or capable of being valued on a substantial and established market (except as otherwise agreed by the Parties).

(iv) Under no circumstances shall Verizon or any Verizon Pension Plan be liable to transfer any additional amounts to FairPoint or any Spinco Pension Plan or any other Person or Governmental Authority in respect of the Liabilities transferred to the Spinco Pension Plans pursuant to Section 5.2(a), including, but not limited to, any circumstance under which any Person or Governmental Authority states a claim to any portion or all of any Pension Plan Asset Transfer Amount. To the extent Verizon voluntarily transfers any additional amounts to FairPoint or any Spinco Pension Plan, FairPoint shall not be responsible for reimbursing Verizon for such additional voluntary transfers.

Section 5.3. Continuation of Elections and Application to Spinco Dependents

Spinco, as of the Distribution Date, and FairPoint, as of the Effective Time, shall cause the Spinco Pension Plans and the Spinco Excess Pension Plan to recognize and maintain all existing elections, including, but not limited to, beneficiary designations, payment forms and other rights of alternate payees under qualified domestic relation orders as were in effect under the corresponding Verizon Pension Plan or Excess Plan, unless and until changed or modified in accordance with the terms of the applicable plan or otherwise in accordance with applicable law. To the extent applicable, the provisions of this Article V shall also apply to Spinco Dependents.

ARTICLE VI.  
HEALTH AND WELFARE

Section 6.1. Assumption of Health and Welfare

(a) Verizon or one or more of its subsidiaries maintain health and welfare plans, including plans providing active severance and active post-retirement health, dental and life insurance benefits, for the benefit of eligible Verizon Employees and certain former employees, including Former Spinco Employees who have retired as of the date the Merger Agreement is executed (the “Verizon Welfare Plans”). As of the Distribution Date, each person who is a Spinco Employee or Spinco Dependent on such date shall cease to be covered under the Verizon Welfare Plans, except that Verizon and the Verizon Welfare Plans shall be responsible for medical, dental, disability or life insurance claims of such Spinco Employees and Spinco Dependents as are specified in Section 2.1(b)(ii) for Represented Employees, and also for such claims with respect to all other Spinco Employees and Spinco Dependents on the same basis as described in Section 2.1(b)(ii) with respect to claims incurred or events that have occurred prior to the Effective Time. For the avoidance of doubt, with respect to any payments due to any Spinco Employee under the terms of the Verizon short term disability plan, the obligations to make payments with respect to any period prior to the Effective Time shall remain with Verizon, and the obligations to make any payments with respect to any period at or after the Effective Time shall be the sole responsibility of FairPoint or a Spinco Plan.

(b) Prior to the Distribution Date, Verizon and Spinco shall take steps to establish Spinco Welfare Plans, based on the corresponding Verizon Welfare Plans. Spinco or NNETO shall provide FairPoint with a copy of the Spinco Welfare Plans at least four months prior to their adoption in order to provide FairPoint an opportunity to



comment on their form and for use in FairPoint's preparations for assuming these plan. Spinco and NNETO agree to consult with FairPoint and, subject to the obligations of the Parties under this Agreement, to reasonably consider such comments, but FairPoint's comments shall be advisory only and Spinco and NNETO shall retain full discretion as to the form of the plans. Verizon shall or shall cause the Spinco Group to provide FairPoint with demographic and claims information and other reasonably requested information related to the Spinco Employee and Spinco Dependents that will enable FairPoint and the Spinco Group to effect the operation of such Spinco Welfare Plans following the Effective Time. As of and immediately after the Distribution Date, all Liabilities in respect of or relating to such Spinco Employees under the Verizon Welfare Plans shall cease to be Liabilities of any member of the Verizon Group or the Verizon Welfare Plans and any and all such Liabilities shall be assumed as of the Distribution Date by Spinco or NNETO, and the Spinco Welfare Plans, and as of the Effective Time, by FairPoint, Spinco, NNETO and the Spinco Welfare Plans. Notwithstanding the foregoing, all liabilities associated with Former Spinco Employees under the Verizon Welfare Plans, and such liabilities that have been retained by the Verizon plans under Section 6.1(a) above, shall remain with the Verizon Group.

(c) Except for the FRP account balances described in Section 6.2(c), nothing in this Agreement shall require Verizon, any Verizon Group member or any Verizon Welfare Plan to transfer assets or reserves with respect to the Verizon Welfare Plans, including, but not limited to, any plan providing severance, post-retirement health, dental or life insurance benefits, to FairPoint, any FairPoint Group member or the Spinco Welfare Plans.

Section 6.2. Adoption of Health and Welfare Plans

(a) Spinco, as of the Distribution Date, and FairPoint, as of the Effective Time, shall maintain or shall cause to be maintained for the benefit of eligible Spinco Employees and Spinco Dependents, health and welfare plans, including plans providing active severance and active post-retirement health, dental and life insurance benefits (the “Spinco Welfare Plans”) that are identical in all material respects to the benefits provided under the corresponding Verizon Welfare Plan in which such individuals participate immediately prior to the Distribution Date, and the terms of which have been provided to FairPoint within four months of the execution of the Merger Agreement.

(b) Terms of Participation in FairPoint Welfare Plans. FairPoint shall cause the Spinco Welfare Plans to (i) waive all limitations as to preexisting conditions, exclusions, service conditions and waiting period limitations, and any evidence of insurability requirements applicable to any such Spinco Employees and Spinco Dependents other than such limitations, exclusions, and conditions that were in effect with respect to Spinco Employees and Spinco Dependents as of the Effective Time, in each case under the corresponding Verizon Welfare Plan and (ii) honor any deductibles, out-of-pocket maximums and co-payments incurred by Spinco Employees and Spinco Dependents under the corresponding Verizon Welfare Plan in satisfying the applicable deductibles, out-of-pocket expenses or co-payments under such Verizon Welfare Plan for the calendar year in which the Distribution Date occurs.

(c) Transfer of FRP Assets. Verizon will make available to FairPoint, not less than forty-five calendar days prior to the Distribution Date, a list of individuals who will become or continue to be Spinco Employees as of the Effective Time and who are participants in the FRP (the “FRP Participants”), together with the elections made prior to the Distribution Date with respect to such accounts through the Distribution Date.

(i) FairPoint shall take all actions necessary and legally permissible to ensure that as of the Effective Time, it includes the FRP Participants in the Spinco Plan that constitutes a Code Section 125 plan and any flexible spending arrangements thereunder (“Spinco’s FSA”). FairPoint shall further take all actions necessary and legally permissible to amend Spinco’s FSA to provide that as of the Effective Time and for the plan year in which the Effective Time occurs, but not for any specific time thereafter, subject to any collective bargaining obligations, (A) the FRP Participants shall become participants in Spinco’s FSA as of the beginning of the FRP’s plan year and at the level of coverage provided under the FRP, (B) the FRP Participants’ salary reduction elections shall be taken into account for the remainder of Spinco’s FSA plan year as if made under Spinco’s FSA; and (C) Spinco’s FSA shall reimburse medical expenses incurred by the FRP Participants at any time during the FRP’s plan year (including claims incurred prior to the Effective Time but unpaid prior to the Effective Time), up to the amount of the FRP Participants’ election and reduced by amounts previously reimbursed by the FRP.

(ii) Verizon shall take all actions necessary and legally permissible to amend the FRP to provide that the FRP Participants shall cease to be eligible for reimbursements from the FRP as of the Effective Time.

(iii) As soon as practicable following the Effective Time, Verizon shall transfer to FairPoint, and FairPoint agrees to accept, those amounts (plus all related individual participant records and accountings) which represent the debit and credit balances under the FRP of the FRP Participants and the transfer of such amounts shall take into account on a net basis participants’ payroll deductions and claims paid through the Effective Time. Verizon represents and covenants that as of the Effective Time it has or shall have properly withheld from the pay of FRP Participants all amounts in accordance with their FRP elections.

Section 6.3. COBRA and HIPAA

As of the Effective Time, FairPoint shall be responsible for administering compliance with the continuation coverage requirements for “group health plans” under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), and the portability requirements under the Health Insurance Portability and Accountability Act of 1996 with respect to Spinco Employees and any Spinco Dependents for the period after the Effective Time. Verizon will retain any Verizon Liabilities under the Verizon Plans to provide COBRA coverage to any Former Spinco Employee and any of his or her eligible dependents who incurred a qualifying event under COBRA at or prior to the Effective Time and who is still eligible to receive such continuing coverage as of or after the Effective Time.

Section 6.4. Workers’ Compensation Claims

Effective as of the Effective Time, FairPoint shall assume all Liabilities (other than any liabilities related to medical or other similar services performed, as specified in Section 2.1(b)(ii), or compensation in respect of lost work for periods prior to the Effective Time) for Spinco Employees related to any and all workers’ compensation claims and coverage, whether arising under any law of any state, territory, or possession of the U.S. or the District of Columbia and FairPoint or otherwise, and shall be fully responsible for the administration of all such claims; provided that Verizon shall either (i) transfer to or cause to be transferred or allocated for the benefit of FairPoint, a Subsidiary designated by FairPoint or Spinco Employees an amount equal to the value of any assets set aside by Verizon prior to the Effective Time (including any reserves established under any contract providing coverage against any such claims) for the payment of, or to meet the obligations in respect of, any such workers’ compensation benefits or obligations in respect of such Spinco Employees or (ii) represent in writing to

FairPoint that no such assets have been set aside. If FairPoint is unable to assume any such Liability or the administration of any such claim because of the operation of applicable state law or for any other reason, Verizon shall retain such Liabilities and FairPoint shall reimburse and otherwise fully indemnify Verizon for all such Liabilities, including the costs of administering the plans, programs or arrangements under which any such Liabilities have accrued or otherwise arisen. All reimbursement amounts shall be paid in accordance with the procedure set forth in Section 11.2.

Section 6.5. Leave of Absence Programs

FairPoint shall be responsible for the administration and compliance of all leaves of absences and related programs (including compliance with the Family and Medical Leave Act) affecting Spinco Employees for the period at and after the Effective Time.

Section 6.6. Time-Off Benefits

The FairPoint Group shall credit each Spinco Employee with the amount of accrued but unused vacation time, sick time and other time-off benefits (together the "Time-Off Benefits") as such individual had with the Verizon Group or the Spinco Group as of the Effective Time and shall provide such individuals with the same rights, benefits, and entitlements in respect to such Time-Off Benefits as they were entitled to from the Verizon Group or the Spinco Group as of the Effective Time. Verizon shall provide FairPoint with accurate data regarding accrued but unused vacation time, sick time and other time-off benefits for all Spinco Employees as of a current date not less than fifteen (15) days before the date that Verizon reasonably estimates will be the Effective Time.

ARTICLE VII.  
SAVINGS PLANSSection 7.1. Establishment of the Spinco Savings Plan

Prior to the Distribution Date, Verizon and Spinco shall take steps to establish two defined contribution plans and trusts to be effective as of the Distribution Date for the benefit of Spinco Employees (the “Spinco Savings Plans”) that are identical in all material respects to the Verizon Savings Plans, such that each Verizon Savings Plan shall have one and only one corresponding Spinco Savings Plan. Verizon or Spinco shall provide FairPoint with a copy of the Spinco Savings Plans prior to their adoption in order to provide FairPoint an opportunity to comment on their form. Spinco and Verizon agree to consult with FairPoint and, subject to the obligations of the Parties under this Agreement, to reasonably consider such comments, but FairPoint’s comments shall be advisory only and Verizon and Spinco shall retain full discretion as to the form of the plans. FairPoint shall be responsible for taking or causing to be taken all necessary, reasonable, and appropriate action to establish, maintain, and administer the Spinco Savings Plans so that each qualifies under Section 401(a) of the Code and the related trusts thereunder are exempted from Federal income taxation under Section 501(a)(1) of the Code.

Section 7.2. Assumption of Liabilities and Transfer of Assets

(a) Effective as of the Effective Time, but subject to the asset transfer specified in Section 7.2(b) below, each Spinco Savings Plan shall assume and be solely responsible for all Liabilities for or relating to Spinco Employees under the applicable Verizon Savings Plan. FairPoint shall be solely responsible for all ongoing rights of or

relating to Spinco Employees for future participation (including the right to make contributions through payroll deductions) in the Spinco Savings Plans.

(b) Effective as of the Distribution Date, Verizon shall cause the account balances (including any outstanding loan balances) in the applicable Verizon Savings Plan attributable to Spinco Employees to be transferred to the corresponding Spinco Savings Plan in cash and in-kind (including, but not limited to, participant loans), provided that, with respect to any in-kind transfers other than participant loans, FairPoint shall receive 60 days notice of such transfers and shall have an opportunity to comment on them. FairPoint's comments shall be advisory only and Verizon shall retain full discretion as to the type of transfers to be made but Verizon shall not transfer any asset in kind which FairPoint reasonably determines is not readily tradable or capable of being valued on a substantial and established market (except with respect to any participant loans or any other transfers otherwise agreed to by the Parties). Subject to the immediately preceding sentence, FairPoint shall cause each Spinco Savings Plan to accept such transfer or accounts and underlying assets and, effective as of the date of such transfer, to assume and to fully perform pay or discharge, all obligations of the Verizon Savings Plans relating to the accounts of Spinco Employees (to the extent those assets related to those accounts are actually transferred from a Verizon Savings Plan). The transfer shall be conducted in accordance with Section 414(l) of the Code, Treasury Regulation Section 1.414(l)-1, and Section 208 of ERISA.

ARTICLE VIII.  
EQUITY BASED INCENTIVE AWARDS

Section 8.1. General Treatment of Outstanding Awards

Generally, Verizon shall retain all Liabilities in respect of all stock based incentive compensation awards granted to Spinco Employees and Former Spinco Employees that are not part of any employee pension benefit plan within the meaning of Section 3(3) of ERISA and that are outstanding as of the Effective Time (the “Outstanding Awards”).

Section 8.2. Outstanding Options

Each Outstanding Award that is an option in respect of Verizon Common Stock granted under a Verizon Plan that is held by a Spinco Employee as of the Effective Time (each, an “Original Option”) shall remain an option in respect of Verizon Common Stock subject to a Verizon Plan (each, a “Remaining Option”). Subject to any limitation required to comply with the provisions of Section 409A of the Code, each Remaining Option held by any person who is or becomes a Spinco Employee at the Effective Time shall vest and become immediately exercisable at the Effective Time, and will remain exercisable until the earlier of (i) 5 years following the Effective Time or (ii) the expiration of the stated term of the Original Option. The exercise price and number of shares subject to each Remaining Option shall be adjusted pursuant to the terms of the applicable Verizon Plan but in a manner consistent with the requirements of Section 424 of the Code. As a result, the Remaining Option shall be adjusted in accordance with clauses (A) and (B) below (to be interpreted and applied in such a way as to minimize any adverse consequences from any possible application of FAS 123R and Section 409A of the Code to such conversions):



(A) the number of shares of Verizon Common Stock subject to such Remaining Option shall be equal to the product of (x) the number of shares of Verizon Common Stock subject to the corresponding Original Option immediately prior to the Effective Time and (y) the Verizon Share Ratio, with fractional shares rounded down to the nearest whole share and

(B) the per-share exercise price of such Remaining Option shall be equal to the quotient of (x) the per-share exercise price of the corresponding Original Option immediately prior to the Effective Time and (y) the Verizon Share Ratio, rounded up to the nearest whole cent.

Section 8.3. Treatment of Outstanding Verizon RSU and PSU Awards

(a) Generally. Each individual who holds an Outstanding Award that is a restricted stock unit (each, an “RSU”) or a Performance Share Unit (each, a “PSU”) that relates to Verizon Common Stock and that was granted under a Verizon Plan, shall continue to hold such RSU or PSU after the Effective Time under such Verizon Plan, provided that with respect to each such outstanding award, there shall be credited on behalf of each holder thereof a dividend equivalent amount equal to the opening cash value on the day following the completion of the Distribution, of the number of shares of Spinco Common Stock that would have been distributed to such holders had each such RSU or PSU award been outstanding shares of Verizon Common Stock.

(b) Deferral Elections. Each and every deferral election made by any Spinco Employee with respect to any RSU or PSU shall be cancelled in order to avoid any potential adverse taxation to the recipient thereof under Section 409A of the Code.

(c) Performance Conditions/Board Approval. Notwithstanding anything else contained herein to the contrary, nothing in this Section 8 shall be construed or interpreted to modify, waive, eliminate or otherwise alter any performance conditions required to be satisfied for a Spinco Employee or employee of any member of the Verizon Group to become vested in any Outstanding Award (including, but not limited to, any PSU). Moreover, any requirement for approval by the Verizon Board or a duly authorized committee thereof of the level of achievement against any such performance restrictions applicable to such Outstanding Award shall continue to apply on the same basis as they did prior to the Effective Time.

(d) Vesting of PSUs. Any PSU or any Restricted Stock Unit granted by Verizon in the 2005, 2006 or 2007 calendar year that is held by a Spinco Employee at the Effective Time shall immediately vest in full on the Distribution Date, subject, if applicable, to the achievement of any applicable performance criteria and the approval thereof by the Verizon Board or a duly authorized committee thereof. Each such award will be paid in the ordinary course during the first 75 days of the first quarter of the calendar year next following the applicable performance period for which, and subject to the extent to which, it becomes earned.

Any Outstanding Award that is a chairman's award will be treated in substantially the same manner and subject to substantially the same conditions outlined above with respect to annual RSU grants, that is, each such chairman's award will be appropriately adjusted to reflect the distribution of Spinco, will be deemed immediately vested on the Distribution Date and will be paid promptly on the regularly scheduled payment date after the end of the applicable award cycle.

Section 8.4. Treatment of Verizon Options Outstanding at the Record Date, but Exercised Prior to the Distribution Date.

At the discretion of, and subject to such terms and conditions as shall be established by the appropriate committee of its Board of Directors, Verizon may provide that any stock option in respect of Verizon Common Stock granted under a Verizon Plan that is (i) held as of the Record Date by either a Spingo Employee or a Verizon Employee or a permitted transferee of any such employee, and (ii) is exercised by such holder following the Record Date and prior to or on the Distribution Date (each, a “Record Date Option”), shall be adjusted pursuant to the terms of the plan document governing such Record Date Option to entitle such holder to participate in the Distribution and to receive, as of the Distribution Date and in addition to the number of shares of Verizon Common Stock deliverable upon the exercise of such Record Date Options, the number of shares of Spingo Common Stock which such person would have received had such person been a Verizon stockholder on the Record Date. If the appropriate committee of the Verizon Board of Directors does not exercise its discretion to adjust any stock options in respect of Verizon Common Stock in the manner permitted under the immediately preceding sentence, the number of Record Date Options for purposes of this Agreement and the Distribution Agreement shall be zero.

Section 8.5 Treatment of Outstanding FairPoint Equity Awards.

Prior to the Effective Time, the appropriate committee of the Board of Directors of FairPoint shall take any and all actions that it shall deem necessary or appropriate, in accordance with its authority under each of the equity incentive plans of FairPoint (the “FairPoint Equity Plans”) under which there shall be outstanding at the Effective Time any stock options, stock appreciation rights, restricted stock or other forms of compensatory equity-based compensation awards (the “FairPoint Equity Awards”), to

prevent (i) the accelerated vesting or exercisability of, or the waiver of any service or other conditions associated with, such FairPoint Equity Awards in connection with, and (ii) the occurrence of any other enhancement (other than any enhancement in the trading value of the FairPoint common stock that is generally available to all shareholders of FairPoint) of the rights of the holders of such FairPoint Equity Awards that would otherwise arise solely by reason of, the consummation of the transactions contemplated in the Merger Agreement.

#### ARTICLE IX.

#### SHORT TERM INCENTIVES AND SALES COMMISSION PROGRAMS

##### Section 9.1. Incentive and Commission Plans

All Liabilities relating to Spincor Employees under each Short Term Incentive Plan or Sales Commission Program shall cease to be Liabilities of the Verizon Group and shall be assumed in full and in all respects by FairPoint, as of the Effective Time. The FairPoint Group shall continue each Short Term Incentive Plan and each Sales Commission Program in effect as of the Effective Time until December 31, 2008.

ARTICLE X.  
DEFERRED COMPENSATION PLANS

Section 10.1. Generally

Verizon shall retain all Liabilities for any benefits accrued by Spinco Employees and Former Spinco Employees under the EDP and IDP.

Section 10.2. Vesting and Payout of Balances

All unvested account balances under the EDP and IDP shall vest at the Effective Time. For purposes of the EDP and IDP only, the Effective Time shall be considered a separation event and a termination of employment from the Verizon Group. Any Spinco Employee who elected to receive a payout of an account balance upon a termination of employment, shall be paid out such account in accordance with the terms of the relevant plan. Notwithstanding the foregoing, any and all distributions from the EDP and IDP shall, to the extent applicable, be administered in a manner consistent with the provisions of Section 409A of the Code and the regulations promulgated thereunder.

ARTICLE XI.  
ASSUMPTION OF LIABILITIES

Section 11.1. Assumption of Liabilities

(a) By Spinco. Not later than the Distribution Date, except as otherwise expressly provided for in this Agreement, Spinco shall or shall cause a member of the Spinco Group or a Spinco Plan to assume, perform, and discharge all of the following, regardless of when or where such Liabilities arose or arise or are incurred:

- (i) all Liabilities to or relating to Spinco Employees and their dependents and beneficiaries, to the extent relating to, arising out of or resulting from employment with any member of the Verizon Group or the Spinco Group on or prior to the Distribution Date, including all liabilities governed by the NNETO CBAs; and
- (ii) all other Liabilities relating to, or arising out of, or resulting from obligations, liabilities, and responsibilities expressly assumed or retained by Spinco or a member of the Spinco Group pursuant to this Agreement or the NNETO CBAs.
- (b) By FairPoint. At the Effective Time, FairPoint shall or shall cause a member of the FairPoint Group or a FairPoint or Spinco Plan to assume, perform, and discharge all Spinco Liabilities, regardless of when or where such Liabilities arose or arise or are incurred. To the extent that any FairPoint Subsidiary is responsible for any of the Spinco Liabilities, FairPoint shall be jointly and severally liable for the payment of such Liabilities by such FairPoint Subsidiary.
- (c) By Verizon. Verizon shall or shall cause the applicable Verizon Plan or Verizon Group member to retain and discharge all of the following:
- (i) all Liabilities to or relating to Retained Employees and Former Spinco Employees, and any individuals who are not Spinco Employees (and the foregoing's dependents and beneficiaries), to the extent relating to, arising out of or resulting from former, present, or future employment with the Verizon Group, including all liabilities governed by the collective bargaining agreements that cover Retained Employees, Former Spinco Employees, and any individuals who are not Spinco Employees (and the foregoing's dependents and beneficiaries);

- (ii) all Liabilities with respect to Outstanding Awards; and
  - (iii) all Liabilities under the EDP or IDP.
  - (iv) all other Liabilities relating to, or arising out of, or resulting from obligations, liabilities, and responsibilities expressly assumed or retained by a member of the Verizon Group or a Verizon Plan pursuant to this Agreement or the collective bargaining agreements that cover Retained Employees, Former Spinco Employees, and any individuals who are not Spinco Employees (and the foregoing's dependents and beneficiaries);
- (d) Allocation of Liabilities among Verizon, Spinco and FairPoint with respect to grievances and demands for arbitration pending as of the Effective Time shall be as set forth in Sections 11.1(a), (b) and (c). Verizon shall retain liability for such claims relating solely to Verizon Employees or the Verizon Business and FairPoint shall assume liability for such claims relating solely to Spinco or the Spinco Business.
- (e) With respect to grievances and demands for arbitrations pending as of the Effective Time that relate to both Verizon Employees and Spinco Employees or to both the Spinco Business and the Verizon Business or to both Verizon and FairPoint, Verizon and FairPoint, each acting reasonably, shall negotiate the terms of a joint defense agreement in a manner that is consistent with the terms of the joint defense agreement to be negotiated pursuant to Section 7.27 of the Merger Agreement. The joint defense agreement will set forth the procedures for defending and resolving such grievances and demands for arbitration on a basis that provides for the active involvement and cooperation of each of Verizon and FairPoint, it being understood that lead counsel defending such litigation shall be mutually agreed to by Verizon and FairPoint (if such counsel was not selected prior to the Effective Time) and that neither Verizon nor

FairPoint shall have the authority to bind the other party in any settlement of such matters without the written consent of such other party. The Parties agree that such agreement shall incorporate an equitable procedure for limiting the liability of an indemnity Party in the event a settlement offer is accepted by such Party and rejected by the counterparty, taking into account the Party that is most likely to suffer the greater amount of Losses (including for such purposes payments hereunder) or infringement of management rights, and a more adverse settlement or resolution results. In connection with the negotiation of the joint defense agreement, the Parties also agree to establish a reasonable and equitable basis for allocating any detriment imposed by any such settlement or order that relates to both the Verizon Employees and the Spinco Employees or to both the Verizon Business and the Spinco Business or to both the Verizon Group and the FairPoint Group.

To the extent that any Verizon Subsidiary is responsible for any of the Liabilities listed above in Section 11.1(c), Verizon shall be jointly and severally liable for the payment of such Liabilities by such Verizon Subsidiary. To the extent that any FairPoint Subsidiary is responsible for any Liabilities listed above in Section 11.1(a) or (b), FairPoint shall be jointly and severally liable for the payment of such Liabilities by a FairPoint Subsidiary.

#### Section 11.2. Reimbursement

(a) By FairPoint. From time to time after the Effective Time, FairPoint shall promptly reimburse Verizon, but in no event more than fifteen business days after delivery by Verizon of an invoice therefor containing reasonable substantiating documentation of such costs and expenses, for the cost of any obligations or Liabilities that Verizon or a Verizon Plan elects to, or is compelled to, pay or otherwise satisfy, that are or that pursuant to this Agreement have become, the responsibility of FairPoint or any FairPoint Subsidiary; provided, however, that if payment in respect of any such Liability



is made by a Verizon Plan, FairPoint or the appropriate FairPoint Plan shall reimburse the Verizon Plan directly.

(b) By Verizon. From time to time after the Effective Time, Verizon shall promptly reimburse FairPoint, but in no event more than fifteen business days after delivery by FairPoint of an invoice therefor containing reasonable substantiating documentation of such costs and expenses, for the cost of any obligations or Liabilities that FairPoint or a FairPoint Plan elects to, or is compelled to, pay or otherwise satisfy, that are or that pursuant to this Agreement have become, the responsibility of Verizon; provided, however, that if payment in respect of any such Liability is made by a FairPoint Plan, Verizon or the appropriate Verizon Plan shall reimburse such FairPoint Plan directly.

### Section 11.3. Indemnification

(a) FairPoint and any member of the FairPoint Group responsible for operating the Spinco Business, shall indemnify, defend and hold harmless the Verizon Indemnitees from and against all Indemnifiable Losses arising out of or due to (i) the failure of any member of the FairPoint Group to pay, perform, discharge or satisfy any liabilities assumed in 11.1(a) and (b) of this Agreement (other than any Liabilities which arise due to the failure of Verizon to satisfy its obligations under Article VIII hereof), and (ii) any other breach of the duties or obligations of any member of the FairPoint Group, as set forth in this Agreement. FairPoint shall take commercially reasonable efforts to procure insurance against any Indemnifiable Losses arising from the obligations set forth in this Agreement.

(b) Verizon shall indemnify, defend and hold harmless the FairPoint Indemnitees from and against all Indemnifiable Losses arising out of or due to (i) the

failure of any member of the Verizon Group to pay, perform, discharge or satisfy any Verizon Liabilities (other than Verizon Liabilities which arise due to the failure of any member of the FairPoint Group or any FairPoint Plan to satisfy any liabilities assumed in 11.1(a) and (b) of this Agreement) and (ii) any other breach of the duties and obligations of any member of the Verizon Group, as set forth in this Agreement. Verizon shall take commercially reasonable efforts to procure insurance against any Indemnifiable Losses arising from the obligations set forth in this Agreement.

Section 11.4. Procedures for Indemnification for Third-Party Claims.

Except as specifically set forth in this Agreement, in the event that Verizon or any other Verizon Indemnitee shall seek indemnification in respect of any FairPoint Liabilities, or FairPoint or any FairPoint Indemnitee shall seek indemnification in respect of any Verizon Liabilities, such person shall comply with and follow the procedures regarding indemnification set forth in Article X of the Merger Agreement, which shall apply to claims for indemnification hereunder in the same manner as though such claims were eligible for indemnification under the Merger Agreement, but assuming that such claims were not subject to any limitation on the ability to claim indemnification under such Merger Agreement.

Section 11.5. Reductions for Insurance Proceeds and Other Amounts.

(a) The amount that any Indemnifying Party is or may be required to pay to any Indemnitee pursuant to this Article XI shall be reduced (retroactively or prospectively) by (i) any insurance proceeds or other amounts actually recovered from third parties by or on behalf of such Indemnitee in respect of the related Indemnifiable Losses arising from the obligations set forth in this Agreement (net of all costs of recovery, including deductibles, co-payments or other payment obligations) and (ii) any

tax benefit actually realized by the Indemnitee in respect of the related Indemnifiable Losses arising under the obligations set forth in this Agreement. The existence of a claim by an Indemnitee for insurance or against a third party in respect of any Indemnifiable Loss or the availability of potential tax benefits shall not, however, delay or reduce any payment pursuant to the indemnification provisions contained herein and otherwise determined to be due and owing by an Indemnifying Party. The Indemnifying Party shall make payment in full of such amount so determined to be due and owing by it and, if, and to the extent that, there exists a claim against any third party (other than an insurer) in respect of such Indemnifiable Loss, the Indemnitee shall assign such claim against such third party to the Indemnifying Party. Any tax benefit actually received by an Indemnified Party shall be paid over to the Indemnifying Party to the extent such tax benefit relates to an Indemnifiable Loss for which indemnification has already been received. Notwithstanding any other provisions of this Agreement, it is the intention of the Parties hereto that no insurer or any other third party shall be (i) entitled to a benefit it would not be entitled to receive in the absence of the foregoing indemnification provisions or (ii) relieved of the responsibility to pay any claims for which it is obligated. If an Indemnitee shall have received the payment required by this Agreement from an Indemnifying Party in respect of any Indemnifiable Losses and shall subsequently actually receive insurance proceeds, tax benefits or other amounts in respect of such Indemnifiable Losses, then such Indemnitee shall hold such insurance proceeds in trust for the benefit of such Indemnifying Party and shall promptly pay to such Indemnifying Party a sum equal to the amount of such insurance proceeds, tax benefits or other amounts actually received, up to the aggregate amount of any payments received from such Indemnifying Party pursuant to this Agreement in respect of such Indemnifiable Losses.

(b) In the event that any claim is made by, on behalf of or in respect to a Spinco Employee against any member of the FairPoint Group or the Spinco Group, or in respect of any Spinco Plan for which insurance and/or insurance reimbursement may be

available under a Policy in accordance with the provisions of Section 7.5 of the Distribution Agreement, then solely for purposes of Section 7.5 of the Distribution Agreement, such claim shall be treated as a Spincos Liability under the Distribution Agreement. The purpose of this provision is to make available to FairPoint the benefit of any Policy solely to the extent that benefits under such Policy would be available to FairPoint were Liabilities addressed in this Agreement not excluded from the definition of Spincos Liabilities under the Distribution Agreement, and this provision shall not be construed to expand or otherwise alter the terms of such Section 7.5 of the Distribution Agreement or the definition of Liabilities in this Agreement. For purposes of this Section 11.5(b), the term "Policy" shall have the meaning ascribed to it in the Distribution Agreement.

Section 11.6. Contribution

(a) If the indemnification provided for in this Article XI is unavailable to, or insufficient to hold harmless, any Indemnitee in respect of any Losses for which indemnification is provided for herein, then the relevant Indemnifying Party shall contribute to the Losses for which such indemnification is unavailable or insufficient in such proportion as is appropriate to reflect the relative fault of such Indemnifying Party and such Indemnitee in connection with the circumstances which resulted in such Losses as well as any other relevant equitable considerations.

(b) The relative fault of Verizon and FairPoint shall be determined by reference to, among other things, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission and whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by Verizon or by FairPoint.

(c) Verizon and FairPoint agree that it would not be just and equitable if contribution pursuant to this Section 11.6 were determined by any method of allocation which does not take account of the equitable considerations referred to in Section 11.6(b). The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an Indemnitee shall be deemed to include any legal or other expenses reasonably incurred by such Indemnitee in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

#### Section 11.7. Consequential Damages

In no event shall an Indemnifying Party be liable for any Indemnitee's special, punitive, exemplary, incidental, consequential or indirect damages, or lost profits, whether based on contract, tort, strict liability, other law or otherwise.

#### Section 11.8. Joint Defense and Cooperation

With respect to any Third Party Claim, except those specified in Section 11.1(d) and (e), but including, and not limited to, administrative proceedings, governmental investigations, and lawsuits in which both a member of the Verizon Group and a member of the FairPoint Group are, or reasonably may be expected to be, named as parties, or that otherwise implicates both a member of the Verizon Group and a member of the FairPoint Group to a material degree, the Parties shall negotiate a joint defense agreement consistent with the terms of the joint defense agreement to be negotiated between the Parties pursuant to Section 7.27 of the Merger Agreement.

## ARTICLE XII.

## GENERAL AND ADMINISTRATIVE

Section 12.1. Cooperation

(a) General. Each of the Parties hereto will use its commercially reasonable efforts to promptly take, or cause to be taken, any and all actions and to do, or cause to be done, any and all things necessary proper and advisable under applicable laws and regulations to consummate the transactions contemplated by this Agreement, including without limitation, adopting plans or plan amendments. Each of the Parties hereto shall cooperate fully on any issue relating to the transactions contemplated by this Agreement for which the other Party seeks a determination letter or any other filing, consent, or approval with respect to governmental authorities regarding a benefit plan.

(b) Cooperation in Benefits, Plan, and Other Employee Transition. Without limitation, the Parties' cooperation under this Agreement shall include Verizon (and its employees and agents) acting to provide FairPoint (and its employees and agents) with all information (including, without limitation, plan documentation, names of employees anticipated to be assigned to Spinco and their respective work status, demographics and data, and underwriting and risk-assessment information and periodic updates on the foregoing) that is reasonably requested by FairPoint in connection with establishing Spinco's ongoing benefit plans and assessing appropriate insurances for the period on and after the Distribution Date and that is reasonably available to Verizon after taking commercially reasonable efforts to obtain such information. Such information may be requested by FairPoint at any time following the date which is six months prior to the anticipated Distribution Date, and shall be provided by Verizon or a Verizon agent as soon as reasonably practicable without incurring undue expense and in a de-identified

format to the extent necessary to comply with privacy provisions of federal or applicable state law.

#### Section 12.2. Consent of Third Parties

If any provision of this Agreement is dependent on the consent of any third party (such as a vendor) and such consent is withheld, the Parties shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the full extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such third party to consent, the Parties shall negotiate in good faith to implement the provision in a mutually satisfactory manner. The phrase “reasonable best efforts” as used in this Agreement shall not be construed to require the incurrence of any non-routine or commercially unreasonable expense or liability or the waiver of any right.

#### Section 12.3. Survival

This Agreement shall survive the Effective Time.

#### Section 12.4. Interpretation

Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms “hereof,” “herein,” and “herewith” and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all Exhibits hereto) and not to any particular provision of this Agreement. The word “including” and words of similar import when used in this Agreement shall mean “including, without limitation,” unless the context otherwise requires or unless otherwise specified. The word “or” shall not be exclusive.

Section 12.5. No Third Party Beneficiary

(a) Nothing in this Agreement shall confer upon any person (nor any beneficiary thereof) any rights under or with respect to any plan, program or arrangement described in or contemplated by this Agreement and each person (and any beneficiary thereof) shall be entitled to look only to the express terms of any such plan, program or arrangement for his, her or its rights thereunder.

(b) Nothing in this Agreement shall create any right of a Person to object or to refuse to assent to the assumption of or succession to, by any member of the Spinco Group or the FairPoint Group, any benefit plan, collective bargaining agreement or other agreement relating to conditions of employment, termination of employment, severance or employee benefits, nor shall this Agreement be construed as recognizing that any such rights exist.

(c) Nothing in this Agreement shall amend or shall be construed to amend any Plan, program or arrangement described in or contemplated by this Agreement (other than to change the sponsor of a plan in accordance with the express terms hereof).

Section 12.6. Notices

Any notice, demand, claim, or other communication under this Agreement shall be in writing and shall be deemed given to a Party when (a) delivered to the appropriate address by hand or by nationally recognized overnight courier services (costs prepaid); (b) sent by facsimile with conformation or transmission; (c) received or rejected by the addressee, if sent by certified mail, return receipt requested, in each case to the following addresses and facsimile numbers and marked to the attention of the person designated



below (or to such other address, facsimile number or person as a party may designate by notice to the other Parties:

- (a) If to Spinco (prior to the Effective Time) or Verizon, to:

Verizon Communications Inc.  
140 West Street  
New York, NY 10007  
Facsimile: (908) 766-3813  
Attn: Marianne Drost, Esq.  
Senior Vice President, Deputy General Counsel and  
Corporate Secretary

and

Verizon Communications Inc.  
One Verizon Way  
Basking Ridge, NJ 07920-1097  
Facsimile: (908) 696-2068  
Attn: Dale Chamberlain, Esq.

With copies to:

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022  
Attn: Kevin M. Schmidt

- (b) If to FairPoint, to:

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Peter G. Nixon  
Chief Operating Officer

and

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250

Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Shirley J. Linn  
Executive Vice President and General Counsel

With copies to (which shall not constitute notice):

Paul, Hastings, Janofsky & Walker LLP  
75 East 55<sup>th</sup> Street  
New York, New York 10022  
Facsimile No.: (212) 230-7700  
Attn: Thomas E. Kruger

Parker, Poe, Adams & Bernstein L.L.P.  
Three Wachovia Center  
401 South Tryon Street, Suite 3000  
Charlotte, NC 28202  
Facsimile No.:  
Attn: Heloise C. Merrill

Section 12.7. Governing Law; Jurisdiction. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws rules thereof to the extent such rules would require the application of the law of another jurisdiction. The state or federal courts located within the City of New York shall have exclusive jurisdiction over any and all disputes between the parties hereto, whether in law or equity, arising out of or relating to this agreement and the agreements, instruments and documents contemplated hereby and the parties consent to and agree to submit to the exclusive jurisdiction of such courts. Each of the Parties hereby waives and agrees not to assert in any such dispute, to the fullest extent permitted by applicable law, any claim that (i) such Party is not personally subject to the jurisdiction of such courts, (ii) such party and such Party's property is immune from any legal process issued by such courts or (iii) any litigation or other proceeding commenced in such courts is brought in an inconvenient forum.

Section 12.8. Waiver of Jury Trial.

EACH PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 12.9. Specific Performance.

The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that, after the Distribution, the parties shall be entitled to specific performance of the terms hereof to the extent such terms impose obligations that are to be performed after the Distribution, in addition to any other remedy at law or in equity.

Section 12.10. No Assignment; No Amendment; Counterparts

This Agreement may not be assigned by either Party (except by operation of law) without the written consent of the other, and shall bind and inure to the benefit of the Parties hereto and their respective successors and permitted assignees. This Agreement may not be amended or supplemented except by an agreement in writing signed by Verizon, Spinco, and FairPoint. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each Party has caused its duly authorized officer to execute this Agreement, as of the date first written above.

Date: \_\_\_\_\_

VERIZON COMMUNICATIONS INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

NORTHERN NEW ENGLAND SPINCO,  
INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

FAIRPOINT COMMUNICATIONS, INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT A: ACTUARIAL ASSUMPTIONS AND METHODS FOR PENSION  
ASSET TRANSFER**PBGC Plan Termination Assumptions

- |                             |   |
|-----------------------------|---|
| 1. Discount Rate            | PBGC plan termination rates as of the Distribution Date (as defined below). For purposes of illustration, if the Distribution Date were January 1, 2007, such rates would be 4.88%/4.55%, split at 20 years.  |
| 2. Cash Balance Rates       | Cash balance accounts will be projected and converted to an annuity using the applicable plan rates and mortality for the month of the Distribution Date.   |
| 3. Salary Increases         | None.   |
| 4. Mortality                | Rates specified under PBGC Regulation 4044.53.  |
| 5. Termination              | None.   |
| 6. Disability               | None.   |
| 7. Retirement Age           | <p>As specified under PBGC Regulation 4044.55 and 4044.75 - - Appendix D. In determining the XRA, the age at which a participant reaches his or her earliest retirement age and unreduced retirement age will be based on:</p> <ul style="list-style-type: none"> <li>• their frozen service as of the Distribution Date (as if the participant terminated on the Distribution Date), and</li> <li>• will reflect increases in age past the Distribution Date (allowing for increases in age to the point where participants would reach benefit eligibility).</li> </ul> <p>For participants with only cash balance benefits, the earliest retirement age will be the later of age 55 and their current age, and the unreduced retirement age will be the later of age 65 and their current age.</p> <p>The benefit valued at XRA will reflect future increases in age and service past the Distribution Date for determining the level of early retirement subsidy, if any.</p> |
| 8. Time and Form of Payment | As specified under PBGC Regulation 4044.51.   |
| 9. Expenses                 | As specified under PBGC Regulation 4044—Appendix C.   |

10. Retirement Decrement First of the month following attainment of XRA.
11. Death Benefits For valuing pre-retirement death benefits, actual elections will be reflected, otherwise 100% of remaining participants are assumed to have a designated beneficiary and husbands are assumed to be three years older than their spouses. For Sickness Death Benefits, the percentage of active and retired participants that qualify for this benefit will be the same as used for determining obligations included in Verizon's published financial statements for the most recent year-end immediately preceding the Distribution Date.
12. Valuation Date The Distribution Date.

If necessary pursuant to section 5.2(b), the Projected Benefit obligation will be determined as of the Distribution Date using the following assumptions:

13. Projected Benefit Obligation (PBO) Based on Verizon's relevant assumptions used to determine the pension benefit obligations included in the employee benefits footnote in Verizon's published financial statements for the most recent fiscal year-end immediately preceding the Distribution Date, except that the discount rate will equal the Moody's Aa Corporate Bond Yield as of the Distribution Date plus 0.25%, the cash balance interest crediting rate will equal the discount rate less 2.25%, and the lump sum cashout interest rate will equal the discount rate less 1.25%. For purposes of illustration, if the Distribution Date was November 30, 2006, the Moody's Aa Corporate Yield was 5.41% (a nominal semi-annual yield). The effective annualized rate is 5.48%. Adding 0.25% equals 5.73%, the effective annual discount rate. The corresponding cash balance interest crediting rate would be 3.48% and the lump sum cashout interest rate would be 4.48%.

**Exhibit B – Sales Commissions Programs**

- Sales Compensation Plans
  - Inbound Demand Center (IDC) - Supervisor - Inbound Demand Center - NH
  - Inbound Demand Center (IDC) - Inbound Demand Center - NH
  - Verizon Partner Solutions (VPS) - Account Manager II - NH
  - Business Solutions Center (BSC) - Supervisor Business Sales Center - ME
  - Business Solutions Center (BSC) - Branch Manager - Business Sales Center – ME
- Sell One More (Sales Referral Program)
- Incentive and Recognition Programs
  - Annual Recognition (Platinum and Diamond Club) – Based on year-long objective attainment performance, top performing reps have the opportunity to earn a trip, which includes an awards ceremony and recognition awards.
  - Product Grids and Base Programs – These are year-long “pay for performance” programs in which reps can earn for selling product and meeting minimum qualifiers.
  - Spurt Programs – These promotions vary in length from 1-4 months. Typically, reps participate in 4 or 5 spurt programs per year. The focus of the program can vary based on need (may be attainment, specific product sales or behaviors), as can the program structure (top performer, hit & win, etc.) and awards (merchandise, travel, award points).
  - Overlays and Other Promotions – These are short-term promotions (from one day to a few weeks long) designed to drive focus on specific products or activities for a limited time.
  - Eligible Participants

All reps are eligible to participate in all of the programs offered by the RIC team. Whether or not they earn anything depends on their performance in the programs. CSSC programs require enrollment for participation, but everyone is eligible to participate as long as they register.

- CSSC: Maine, Vermont
- BSBC: Maine

- IDC: New Hampshire



**Exhibit C – Short Term Incentive Programs**

Verizon Communications Short Term Incentive Plan  
Verizon Incentive Plan (VIP)

**Exhibit 2.1 – Collective Bargaining Agreements**

2003 Collective Bargaining Agreement (with General, Plant, Traffic, Accounting, and Sales Sections) – Verizon New England Inc., et al (“VZ NE”) and IBEW

2003 Memorandum of Understanding (MOU) – VZ NE and IBEW

2003 Memorandum of Agreement (MOA) – VZ NE and IBEW

Attachments to 2003 MOU – VZ NE and IBEW

August 3, 2003 Letter regarding “Limitations on Transfer of Jobs” – VZ NE and IBEW

2003 Traffic Letters – VZ NE and IBEW

Agreements subsequent to 2003 Bargaining – VZ NE and IBEW

2001 IDC Side Letter Agreement – VZ NE and IBEW

2000 Memorandum of Understanding - VZ NE and IBEW

Attachments to 2000 MOU – VZ NE and IBEW

December 3, 1998 Equipment Installation Agreement – VZ NE and IBEW

January 11, 2006 Bilingual Operator Letter – VZ NE and IBEW

2003 Collective Bargaining Agreement - VZ NE and CWA Local 1400

2003 Common Issues Memorandum of Understanding – VZ NE and CWA

2003 Memorandum of Agreement – VZ NE and CWA

2000 Memorandum of Understanding – VZ NE and CWA

April 3, 1994 Job Security Letter for CWA-represented employees

February 2, 2006 Binding Mediation Letter – VZ NE and IBEW

October 4, 2004 IM SST Assigned to Fios Work – VZ NE and IBEW

**Schedule 4.1 (d) -- Minimum Severance Benefits for Non-Union Employees**

Severance Benefit	If you sign a separation agreement	If you do not sign a separation agreement
Severance pay	<p>One-time lump sum severance payment:</p> <ul style="list-style-type: none"> <li>- Two weeks base pay for each year of service, plus</li> <li>- Pro-rated short-term incentive target for severance period</li> <li>- Minimum four weeks, except for director level and above</li> <li>- Minimum twenty-six weeks for director level</li> <li>- Director level and below maximum 35 weeks</li> <li>- VP severance minimum of 39 weeks</li> <li>- VP severance maximum of 52 weeks</li> </ul>	None
Short-Term Incentive	Pro-rated short-term incentive payout for eligible employment period – paid in normal course	None
Medical (includes vision and prescription drug) and dental	Company paid benefit for the severance period	Not company paid, but you can continue coverage through COBRA by paying the full costs plus 2%
Basic life insurance	Company paid for the severance period; after which you can convert to an individual policy – you pay the full cost of coverage (VP level has no basic life	Not company paid, but you can convert to an individual policy at termination as long as you pay the full cost of coverage

	insurance benefit)	
Outplacement counseling	Provided at no cost to you	None
Long-Term Incentive Plan (directors and above)	Immediately vest in all outstanding LTI grants (PSUs and RSUs) – paid in ordinary course in accordance with Plan terms and subject to attainment of applicable performance targets	None
Executive Outplacement & Financial Counseling	Provided at no cost to VP and above	None

**Schedule 4.1.(e) – Performance and Bonus Opportunities**

- Sales Incentive Compensation Plans
- The 2001 Long-Term Incentive Plan
- Verizon Communications Short Term Incentive Plan
- Verizon Incentive Plan (VIP)
- Verizon Executive Deferral Plan (EDP)
- Verizon Savings Plan for Management Employees
- Verizon Recognition Program

EMPLOYEE MATTERS AGREEMENT

by and between

Verizon Communications Inc.,

Northern New England Spinco, Inc.

and

FairPoint Communications, Inc.

dated as of January 15, 2007

VZ EXHIBIT - 1P  
Docket DT 07-011  
**TABLE OF CONTENTS**

	<b>Page</b>
ARTICLE I. Definitions.....	2
Section 1.1. Definitions.....	2
Section 1.2. Capitalized Terms .....	13
ARTICLE II. Collective Bargaining Agreements and Obligations.....	14
Section 2.1. Assumption and Continuation of Agreements.....	14
ARTICLE III. Spinco Plans Generally .....	21
Section 3.1. Establishment of Spinco Plans.....	21
Section 3.2. Terms of Participation by Spinco Employees.....	21
ARTICLE IV. Employees.....	22
Section 4.1. Employees.....	22
Section 4.2. No Solicitation of Employees .....	26
Section 4.3. Unavailable Employees .....	28
ARTICLE V. Pension Plans .....	29
Section 5.1. Establishment of Pension Plans and Trusts .....	29
Section 5.2. Assumption of Pension Plan Liabilities and Allocation of Interests in the Verizon Pension Trusts .....	30
Section 5.3. Continuation of Elections and Application to Spinco Dependents.....	35
ARTICLE VI. Health and Welfare .....	36
Section 6.1. Assumption of Health and Welfare.....	36
Section 6.2. Adoption of Health and Welfare Plans .....	38
Section 6.3. COBRA and HIPAA.....	40
Section 6.4. Workers' Compensation Claims .....	40
Section 6.5. Leave of Absence Programs .....	41
Section 6.6. Time-Off Benefits.....	41
ARTICLE VII. Savings Plans .....	42
Section 7.1. Establishment of the Spinco Savings Plan.....	42
Section 7.2. Assumption of Liabilities and Transfer of Assets.....	42
ARTICLE VIII. Equity Based Incentive Awards.....	44
Section 8.1. General Treatment of Outstanding Awards .....	44
Section 8.2. Outstanding Options .....	44

VZ EXHIBIT - 1P  
Docket DT 07-011  
**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
Section 8.3. Treatment of Outstanding Verizon RSU and PSU Awards .....	45
Section 8.4 Treatment of Verizon Options outstanding as of the Record Date but Exercised Prior to the Distribution Date.....	47
Section 8.5 Treatment of Outstanding FairPoint Equity Awards.....	47
ARTICLE IX. Short Term Incentives and Sales Commission Programs .....	48
Section 9.1. Incentive and Commission Plans .....	48
ARTICLE X. Deferred Compensation Plans.....	49
Section 10.1. Generally.....	49
Section 10.2. Vesting and Payout of Balances .....	49
ARTICLE XI. ASSUMPTION OF LIABILITIES .....	49
Section 11.1. Assumption of Liabilities.....	49
Section 11.2. Reimbursement .....	52
Section 11.3. Indemnification .....	53
Section 11.4. Procedures for Indemnification for Third-Party Claims .....	54
Section 11.5. Reductions for Insurance Proceeds and Other Amounts .....	54
Section 11.6. Contribution .....	56
Section 11.7. Consequential Damages.....	57
Section 11.8. Joint Defense and Cooperation .....	57
ARTICLE XII. General and Administrative .....	58
Section 12.1. Cooperation.....	58
Section 12.2. Consent of Third Parties .....	59
Section 12.3. Survival .....	59
Section 12.4. Interpretation.....	59
Section 12.5. No Third Party Beneficiary.....	60
Section 12.6. Notices .....	60
Section 12.7. Governing Law; Jurisdiction.....	62
Section 12.8. Waiver of Jury Trial.....	63
Section 12.9. Specific Performance .....	63
Section 12.10. No Assignment; No Amendment; Counterparts .....	63



VZ EXHIBIT - 1P  
Docket DT 07-011  
**TABLE OF CONTENTS**  
(continued)

**Page**

**EXHIBITS**


- Exhibit A. Actuarial Assumptions and Methods for Pension Asset Transfer
- Exhibit B. Sales Commissions Programs
- Exhibit C. Short Term Incentive Programs
- Exhibit 2.1. Collective Bargaining Agreements

**SCHEDULES**

- Schedule 4.1(d). Minimum Severance Benefits for Non-Union Employees
- Schedule 4.1(e). Performance and Bonus Opportunities

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

By:   
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

**FAIRPOINT COMMUNICATIONS,  
INC.**


By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By:   
Name: Stephen E. Smith  
Title: Vice President

**FAIRPOINT COMMUNICATIONS,  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.


**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

**FAIRPOINT COMMUNICATIONS,  
INC.**

By:  \_\_\_\_\_  
Name:  
Title:

**NH Docket DT 07-011**  
**Exhibit SES-4**  
**Transition Services Agreement**  
**Schedules A through E**

EXECUTION COPY

---

TRANSITION SERVICES AGREEMENT

by and among

VERIZON INFORMATION TECHNOLOGIES LLC,

NORTHERN NEW ENGLAND TELEPHONE OPERATIONS INC.,

ENHANCED COMMUNICATIONS OF NORTHERN NEW ENGLAND INC.

and

FAIRPOINT COMMUNICATIONS, INC.

---

January 15, 2007

Table of Contents

VZ EXHIBIT - 1P  
Docket DT 07-011

Page

**ARTICLE I**

**DEFINITIONS**

**ARTICLE II**

**TRANSITION SERVICES**

2.1	Transition Services and Fees.....	7
2.2	Third-Party Vendor Costs .....	8
2.3	Special Services and Fees.....	8
2.4	Schedule B Fee.....	9
2.5	Service Administration.....	9
2.6	Supplier to Pay Its Affiliates and Vendors.....	9
2.7	Supplier Cutover Planning Services.....	9
2.8	Performance by Buyers and FairPoint.....	9
2.9	Services Not to Be Withheld.....	10

**ARTICLE III**

**SCOPE OF SERVICES; CHANGES**

3.1	General Scope.....	10
3.2	Changes in Scope. ....	11

**ARTICLE IV**

**CUTOVER REPORTS**

4.1	Cutover Plan.....	12
-----	-------------------	----

**ARTICLE V**

**THIRD-PARTY INTELLECTUAL PROPERTY**

5.1	Intellectual Property .....	14
5.2	Obtaining Waivers or Licenses. ....	15
5.3	Alternatives. ....	16

**ARTICLE VI**

**PAYMENT FOR TRANSITION SERVICES**

Table of Contents

(EXHIBIT)  
(continued)  
Docket DT 07-011

Page

6.1	Payment Upon Termination .....	17
6.2	Closing Date Service Payments.....	17
6.3	Subsequent Service Invoices and Payment. ....	17
6.4	Invoices .....	18
6.5	Late Payment.....	18
6.6	Surviving Obligations.....	19

**ARTICLE VII**

**SERVICE LEVEL COMMITMENTS**

7.1	General .....	19
7.2	Supplier Cooperation.....	19
7.3	Correction.....	19

**ARTICLE VIII**

**PERSONNEL AND SYSTEMS PROVIDING TRANSITION SERVICES**

8.1	Personnel .....	20
8.2	Intellectual Property, Equipment and Systems.....	20

**ARTICLE IX**

**INTENTIONALLY OMITTED**

**ARTICLE X**

**EMPLOYMENT OF CONTRACTORS OR THIRD PARTIES**

10.1	Subcontractors .....	20
10.2	Subcontractor Payments.....	21

**ARTICLE XI**

**SINGLE POINT OF CONTACT; DISPUTE RESOLUTION**

11.1	Single Point of Contact.....	21
11.2	Dispute Resolution .....	21

**ARTICLE XII**

**POLICIES, PROCEDURES AND TRAINING**



Table of Contents

~~CONFIDENTIAL~~  
Docket DT 07-011

Page

12.1	Policies and Procedures.....	22
12.2	Training .....	22
12.3	No Warranty .....	22

**ARTICLE XIII**

**TERM**

13.1	Term .....	22
13.2	Full Term Cutover Notice .....	23
13.3	Notice of Readiness for Early Cutover in Respect of Schedule A, Schedule C and Schedule D Services. ....	23
13.4	Notice of Readiness for Early Cutover in Respect of Schedule A Services and Schedule D Services Only .....	24
13.5	Notice of Readiness for Early Cutover in Respect of Schedule C Services Only .....	24
13.6	Cutover Date Notice .....	24

**ARTICLE XIV**

**TERMINATION**

14.1	Termination of Agreement .....	25
14.2	Post Expiration Continuation of Services.....	26
14.3	Survival .....	26

**ARTICLE XV**

**LIMITATION ON LIABILITIES**

15.1	Limitation on Liabilities .....	26
15.2	No Warranties; No Special Damages .....	27
15.3	Exceptions to Limitations.....	27

**ARTICLE XVI**

**INDEMNIFICATION**

16.1	Indemnification by Surviving Corporation .....	27
16.2	Indemnification by Supplier .....	28
16.3	Tax Indemnification .....	28
16.4	Indemnification Procedure- Defense of Claims. ....	28
16.5	Surviving Liability. ....	30

**ARTICLE XVII**

**TAXES**

Table of Contents

EXHIBIT P  
Continued  
Docket DT 07-011

Page

17.1 Taxes .....31

**ARTICLE XVIII**

**RECORDS; ACCESS**

18.1 Records.....31  
18.2 Access to Books, Records, Personnel.....32

**ARTICLE XIX**

**DISPUTE RESOLUTION**

19.1 General .....32  
19.2 Initiation .....32  
19.3 Arbitration Request .....33  
19.4 Injunctive Relief and Specific Performance.....33

**ARTICLE XX**

**PLANT WORK RULES AND RIGHT OF ACCESS**

20.1 Compliance.....34  
20.2 Access to Facilities.....34  
20.3 Computer Matters.....34

**ARTICLE XXI**

**INSURANCE**

21.1 Coverage.....35  
21.2 Self-insurance.....35  
21.3 Rating .....35  
21.4 Subrogation .....35  
21.5 Indemnification .....36

**ARTICLE XXII**

**MISCELLANEOUS**

22.1 Notices.....36  
22.2 Assignment; Exclusivity.....38  
22.3 Amendments.....38  
22.4 Headings/Captions.....38  
22.5 Entire Agreement .....38  
22.6 Waiver .....39

Table of Contents

(continued)  
EXHIBIT P  
Docket DT 07-011

Page

22.7	Counterparts .....	39
22.8	Governing Law .....	39
22.9	Further Assurances .....	40
22.10	Severability .....	40
22.11	No Third-Party Beneficiary .....	40
22.12	Independent Contractor .....	40
22.13	Governing Provisions .....	40
22.14	Force Majeure .....	41
22.15	Confidentiality .....	41

## TRANSITION SERVICES AGREEMENT

Transition Services Agreement, dated as of January 15, 2007, by and among Verizon Information Technologies LLC ("Supplier"), Northern New England Telephone Operations Inc. and Enhanced Communications of Northern New England Inc. (collectively, "Buyers") and FairPoint Communications, Inc. FairPoint ("FairPoint" and following the Closing, the "Surviving Corporation").

### RECITALS

WHEREAS, Verizon Communications Inc., Northern New England Spinco Inc., and FairPoint have entered into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), pursuant to which FairPoint will be the surviving entity in a merger ("Merger") with Northern New England Spinco Inc.; and Verizon Communications Inc. and Northern New England Spinco Inc. have entered into a Distribution Agreement, dated as of the date hereof (the "Distribution Agreement");

WHEREAS, Buyers will be, after the consummation of the Merger, subsidiaries of the Surviving Corporation;

WHEREAS, after the Merger, the Surviving Corporation and Buyers will operate certain businesses including, but not limited to, businesses which provide local exchange and long distance telecommunications services in the States of Maine, New Hampshire and Vermont which businesses were formerly operated by Affiliates of Supplier;

WHEREAS, Supplier and its Affiliates have employees with expertise and capabilities to provide the Transition Services described herein and in the attached Schedules; and

WHEREAS, Buyers, FairPoint and Supplier (each, a "party" and collectively, the "parties") desire to enter into an agreement whereby Supplier and its Affiliates, on the terms and conditions set forth in this Agreement, will provide certain Transition Services to the Buyers exclusively for the benefit of the Spinco Business and not for the benefit of FairPoint's or Surviving Corporation's other Affiliates.

### AGREEMENT

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows.

## ARTICLE I

### DEFINITIONS

Capitalized terms used in this Agreement or its Schedules but not defined herein or therein shall have the meanings given them in the Merger Agreement. Other capitalized terms, as used herein, have the meanings set forth below or elsewhere in this Agreement.

“Agreement” means this Transition Services Agreement, together with the Schedules attached hereto and made a part hereof.

“Applicable Rate” means the three-month LIBOR rate published on Telerate Page 3750 as of 11:00 a.m. London time, on the date which is two days prior to the date such rate is determined less 10 basis points, such rate to be reset every 90 days.

“Approved Third-Party Intellectual Property” has the meaning set forth in Section 5.1(ii) hereto.

“Buyers” has the meaning set forth in the preamble hereto.

“Change of Control” means (i) any transaction or series of transactions in which any person or group (within the meaning of Rule 13d-5 under the Securities Exchange Act and Sections 13(d) and 14(d) of the Securities Exchange Act) that is a direct or indirect “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act), acquires by way of a stock issuance, stock purchase, tender offer, merger, consolidation or other business combination or otherwise, greater than 50% of the total voting power entitled to vote in the election of directors of either of the Buyers, or the Surviving Corporation, (ii) any merger, consolidation, reorganization or other business combination with a Person in which either of the Buyers or the Surviving Corporation does not survive, (iii) any merger, consolidation, reorganization or other business combination in which either of the Buyers or the Surviving Corporation survives, but the shares of common stock outstanding of either of the Buyers or Surviving Corporation or its ultimate controlling Affiliate immediately prior to such merger, consolidation, reorganization or other business combination represent 50% or less of the voting power of either of the Buyers or the Surviving Corporation after such merger, consolidation, reorganization or other business combination and (iv) any transaction or series of transactions in which assets comprising more than 50% of the total assets of either of the

Buyers or Surviving Corporation and its Subsidiaries (in value) are sold to another Person.

“Change Request” has the meaning set forth in Section 3.2(b) hereto.

“Conforming Change” has the meaning set forth in Section 3.2(a) hereto.

“Contributing Companies” has the meaning set forth in the Distribution Agreement.

“Cutover” has the meaning set forth in Section 4.1(b) hereto.

“Cutover Plan” has the meaning set forth in Section 4.1(e) hereto.

“Cutover Planning Committee” has the meaning set forth in Section 4.1(a) hereto.

“Direct Claim” has the meaning set forth in Section 16.4(b).

“Distribution Agreement” has the meaning set forth in the Recitals hereto.

“FairPoint” has the meaning set forth in the preamble hereto.

“FairPoint Cutover Preparation Tasks” has the meaning set forth in Section 4.1(f).

“Final Cutover Date” has the meaning set forth in Section 13.6 hereto.

“Fixed Monthly Service Fee” has the meaning set forth in Section 2.1(a) hereto.

“Force Majeure Event” has the meaning set forth in Section 22.14 hereto.

“Indemnitee” means a Supplier Indemnitee or a FairPoint Indemnitee, as the case may be.

“Indemnitor” means any person or entity required to provide indemnification under this Agreement.

“Initial Payment” has the meaning set forth in Section 6.2 hereto.

“Holdover Period” has the meaning set forth in Section 14.2.

“Intellectual Property” has the meaning set forth in the Intellectual Property Agreement which is one of the Transaction Agreements as defined in the Merger Agreement.

“Losses” has the meaning set forth in the Merger Agreement.

“Merger” has the meaning set forth in the Recitals hereto.

“Merger Agreement” has the meaning set forth in the Recitals hereto.

“Notice Effective Date” has the meaning set forth in Sections 13.3, 13.4 and 13.5 hereto.

“Preliminary Cutover Plan” means the written document prepared by Supplier which includes, without limitation, a plan which identifies specific business and systems deliverables to be delivered by Supplier to Buyer in stages. The plan includes, without limitation, the extraction of data contained in certain electronic databases of the Spinco Business in two test extracts and one final extract and the transfer of such data to the Surviving Corporation or its designee in an existing format defined by Supplier. The plan shall also include a description of the activities that must be performed by Supplier and Buyers to transfer customer service responsibility for long distance customers of the Spinco Business to Buyers. Additionally, the plan shall include a description of the activities that must be undertaken by Supplier and Buyers to transfer customer service responsibility for the dial-up, DSL and fiber to the premises (aka Fios) data and other ISP customers of Spinco Business to Buyers. Further, the plan shall also include a description of the activities that must be undertaken by Supplier and Buyers should Schedule A Services and Schedule D Services be terminated prior to the termination of Schedule C Services and a description of the activities that must be undertaken by Supplier and Buyers if Schedule C Services were to be terminated prior to the termination of Schedule A Services and Schedule D Services and a description of the activities that

must be undertaken by Supplier and Buyers if Schedule C Services were to be terminated prior to the termination of Schedule A Services and Schedule D Services.

“Preliminary FairPoint Cutover Preparation Tasks” means a written document prepared by FairPoint which identifies those activities that FairPoint must undertake and complete to be prepared for cutover.

“Schedule A Fee” has the meaning set forth in Section 2.1(b) hereto.

“Schedule A Services” has the meaning set forth in Section 2.1 hereto.

“Schedule B Fee” has the meaning set forth in Section 2.4 hereto.

“Schedule B Services” has the meaning set forth in Section 2.4 hereto.

“Schedule C Fees” has the meaning set forth in Section 2.1(c) hereto.

“Schedule C Services” has the meaning set forth in Section 2.1 hereto.

“Schedule D Fees” has the meaning set forth in Section 2.1(d) hereto.

“Schedule D Services” has the meaning set forth in Section 2.1 hereto.

“Senior Executive Officers” means, in the case of FairPoint, Peter Nixon, and in the case of Supplier, Stephen E. Smith.

“Service Modification” has the meaning set forth in Section 3.2(b) hereto.

“Settlement Requirements” has the meaning set forth in Section 16.4(a).

“Single Point of Contact” has the meaning set forth in Section 11.1 hereto.

“Special Services” has the meaning set forth in Section 2.3 hereto.



“Special Services Fee” has the meaning set forth in Section 2.3 hereto.

“Spinco Business” has the meaning set forth in the Distribution Agreement.

“Supplier” has the meaning set forth in the preamble hereto.

“Supplier License Fees” has the meaning set forth in Section 2.2 hereto.

“Supplier Cutover Planning Services” has the meaning set forth in Section 4.1(b) hereto.

“Supplier Indemnitees” has the meaning set forth in Section 16.1 hereto.

“Surviving Corporation” has the meaning set forth in the preamble hereto.

“Team Leader” has the meaning set forth in Section 4.1(a) hereto.

“Termination Schedule” has the meaning set forth in Section 4.1(a) hereto.

“Tax” has the meaning set forth in the Merger Agreement.

“Third Party Claim” has the meaning set forth in Section 16.4(a).

“Third-Party Contractors” has the meaning set forth in Section 10.1 hereto.

“Third-Party Intellectual Property” has the meaning set forth in the Merger Agreement.

“Third-Party Vendor Costs” has the meaning set forth in Section 2.2 hereto.

“Third-Party Vendors” has the meaning set forth in Section 2.2 hereto.

“Transition Service” has the meaning set forth in Section 2.1 hereto.

“Unit-Based Service Fee” has the meaning set forth in Section 2.1(d) hereto

## ARTICLE II

### TRANSITION SERVICES

#### 2.1 Transition Services and Fees.

(a) Following the Closing, and subject to the terms and conditions hereof, Supplier shall arrange for, procure, aggregate and otherwise cause its Affiliates and their employees to provide to the Buyers for use in the Spinco Business during the term hereof the services listed on Schedule A (collectively “Schedule A Services” and each service a “Schedule A Service”), the services listed on Schedule C (collectively, the Schedule C Services” and each service, a “Schedule C Service”) and the services listed on Schedule D (collectively the “Schedule D Services” and each service a “Schedule D Service”) the Schedule A Services, Schedule C Services and the Schedule D Services (collectively, the “Transition Services” and each service, a “Transition Service”). Each of Schedule A, Schedule C and Schedule D includes, for each Transition Service, (i) a description of the service (or group of related services) to be performed and (ii) significant performance requirements of Supplier or its Affiliates and Buyers and other special terms and conditions relating directly to the services to be performed.

(b) The Schedule A Services shall be provided for the following monthly fee (each a “Schedule A Fee”):

For the first eight months after the closing Date:	\$14,200,000 per month
For each month beginning in the ninth month after closing	\$500,000 less than for the prior month
For the thirteenth month	\$14,700,000 per month
For each month following the thirteenth month until termination of the Schedule A	\$500,000 more than the amount paid with respect to the prior month, <u>provided</u> that no increase shall occur after 60 calendar days

Services	after the Notice Effective Date with respect to early termination pursuant to Section 13.3, 13.4 or 13.5 hereof.
----------	--

For example, in the tenth month, the Schedule A Fee shall be \$13,200,000 and in the fourteenth month the Schedule A Fee shall be \$15,200,000. The Schedule A Fee is exclusive of any Taxes, which shall be allocated as provided in Article XVII.

(c) The Schedule C Services shall be provided for the fees described in Schedule C (the “Schedule C Fees”), stated as a monthly fixed payment (a “Fixed Monthly Service Fee”). The Schedule C Fees are exclusive of any Taxes, which shall be allocated as provided in Article XVII.

(d) The Schedule D Services shall be provided for the fees described in Schedule D (the “Schedule D Fees”), stated as a monthly fixed payment (a “Fixed Monthly Service Fee”) or a “Unit Based Service Fee” as applicable. The Schedule D Fees are exclusive of any Taxes, which shall be allocated as provided in Article XVII.

2.2 Third-Party Vendor Costs. In order to provide the Transition Services, the parties acknowledge and agree that it may be necessary for Supplier to pay third-party suppliers or vendors (“Third-Party Vendors”) incremental or other costs and expenses or new costs or expenses incidental to Supplier’s providing transition support for the Buyers, including without limitation, product and service fees, programming fees, Taxes, maintenance fees, initiation and set-up costs and license fees and costs (including attorney’s fees) associated with any obtaining licenses, approvals, waivers or rights relating to Third-Party Intellectual Property as described in Article V. Collectively such incremental costs and expenses payable to third parties described in the preceding sentence are “Third-Party Vendor Costs”. Third-Party Vendor Costs associated with Schedule A Services shall be paid by Supplier. Third-Party Vendor Costs associated with Schedule C and Schedule D Services are in addition to the Schedule C and Schedule D Fees described in Section 2.1(c) and 2.1(d) and are payable by Buyers or FairPoint to Supplier pursuant to Article VI.

2.3 Special Services and Fees. Buyers or FairPoint may request that Supplier or its Affiliates participate in meetings, telephone calls, or other consultations for Buyers or FairPoint to perform their respective requirements as described in Schedule A,

Schedule C or Schedule D (“Special Services”). Supplier shall consider all requests for Special Services in good faith, and shall provide such Special Services, where in Supplier’s judgment Supplier or its Affiliates can provide such Special Services without materially adversely disproportionately or unreasonably impacting Supplier’s or its Affiliates’ then current operations and planned future work loads and without violating any applicable law, regulation or agreement; and further provided that Supplier and its Affiliates shall have no obligation to share Verizon Proprietary Business Information or provide any training to FairPoint or its representatives or agents. After the first 500 hours of Special Services which shall be provided by Supplier to FairPoint without cost and related to planning for the receipt of the Transition Services, FairPoint shall pay Supplier for Special Services at the rate of \$125 per hour (the “Special Service Fee”). FairPoint shall also reimburse Supplier for all reasonable pre-approved out-of-pocket travel-related costs and expenses in connection with providing Special Services hereunder.

2.4 Schedule B Fee. Prior to the Closing, Supplier and its Affiliates shall provide the services listed in Schedule B (the “Schedule B Services”) for the fee described on Schedule B (the “Schedule B Fee”), which fee is exclusive of Taxes. FairPoint shall pay Supplier the Schedule B Fee in the amount and at the time specified in Schedule B.

2.5 Service Administration. Supplier shall administer this Agreement with respect to the delivery of Transition Services. As more fully described in Article XI and subject to specific arrangements set forth in Schedule A, Schedule C and Schedule D, Supplier shall coordinate all communications, questions and problem resolution with respect to all Transition Services.

2.6 Supplier to Pay Its Affiliates and Vendors. Without limiting the obligation of the Buyers under Article VI, Supplier shall be responsible to pay its Affiliates for any Transition Services or Special Services provided and pay Third-Party Vendors for Third-Party Vendor Costs.

2.7 Supplier Cutover Planning Services. Supplier shall provide the Supplier Cutover Planning Services described in Article IV at no additional cost.

2.8 Performance by Buyers and FairPoint. Subject to Section 14.2, the Buyers and FairPoint shall perform in a timely fashion those tasks, and provide the personnel, facilities and accurate information, as are expressly set forth in the Schedules hereto. In addition, the Buyers and FairPoint agree to use commercially-reasonable efforts to

cooperate with Supplier and its Affiliates, and to perform, in a timely fashion, those additional commercially-reasonable tasks directly related to the performance of the Transition Services which Supplier may reasonably request. FairPoint's and Buyers' failure to cooperate with Supplier in the manner requested shall not relieve Supplier of its obligations hereunder, except and to the extent that such failure would preclude or materially interfere with performance by Supplier of a particular component of the Transition Services.

2.9 Services Not to Be Withheld. Subject to Supplier's rights under Article XIV and provided none of Buyers or FairPoint is in default of its obligation to pay fees or has refused to pay fees hereunder in bad faith, or has had a Change of Control, Supplier shall not intentionally withhold the provision of any or all of the Schedule A Services, or substantially all of the Schedule C Services or Schedule D Services for any reason during the term of this Agreement. If Supplier breaches or threatens to breach the provisions of this Section, Supplier agrees that FairPoint and Buyers will be irreparably harmed, and, without any additional findings of irreparable injury or harm or other considerations of public policy, FairPoint and/or Buyers shall be entitled to apply to a court of competent jurisdiction for and, provided FairPoint and/or Buyers follow the appropriate procedural requirements (including notice and an affidavit that none of Buyers or FairPoint has failed to make all undisputed payments or is in material breach), Supplier shall not oppose the granting of an injunction compelling specific performance by the Supplier of its obligations under this Agreement without the necessity of posting any bond or other security. Supplier further agrees not to oppose any such application for injunctive relief.

### **ARTICLE III**

#### **SCOPE OF SERVICES; CHANGES**

3.1 General Scope. Each Transition Service described on Schedule A, Schedule C and Schedule D is limited to such functionality as was included in the same service which was provided to Verizon New England Inc. or any of the Contributing Companies, as applicable, on the date immediately prior to the Closing Date, unless the service descriptions on the Schedules hereto specifically indicate otherwise. Unless otherwise specifically stated in the Schedules hereto, Transition Services are provided only in respect of the Spinco Business as conducted (or substantially as conducted) on the Closing Date by Buyers or their Affiliates as successors to one or more of the Contributing Companies, as defined in the Distribution Agreement, and such services are not provided in respect of, or in support of, or in combination with, any other business operation or interests of Buyers, Surviving Corporation or their Affiliates. Except as specifically described in the Schedules hereto or this Agreement, neither Supplier nor its

Affiliates shall have any obligation to provide any additional, modified, general or customized services.

3.2 Changes in Scope.

(a) The parties acknowledge and agree that Supplier and its Affiliates shall provide the Transition Services utilizing systems, databases, reports, formats and processes used to support Verizon New England Inc. (and the Contributing Companies as to the respective service they received) immediately prior to the Closing Date, and except as otherwise specifically described herein or in the Schedules hereto, Supplier and its Affiliates are not obligated to make any modification or customization of any such systems, databases, reports, formats or processes. Supplier and its Affiliates will adhere to the policies, practices and methodologies used to support Verizon New England Inc. and the Contributing Companies immediately prior to the Closing Date. During the term of this Agreement, Supplier may at any time modify the Transition Services, as necessary or desirable, to allow for continued or conforming use of the then-existing systems and databases and to allow for continued or conforming adherence to the then-existing policies, practices and methodologies, which Supplier or its Affiliates will use to provide similar services to Verizon New England Inc. or the Contributing Companies after the Closing (each, a “Conforming Change”). Provided that the Conforming Change complies with applicable law, neither Buyers nor Surviving Corporation shall be responsible for any additional costs in connection with such Conforming Change, and Supplier shall reimburse Buyers for all of Buyers’ reasonable out-of-pocket costs in connection with the implementation of such Conforming Change. Prior to the implementation of a Conforming Change, Supplier will provide the Buyers with written notice of such change contemporaneously with the notice provided to Verizon New England Inc. or the Contributing Companies, as applicable.

(b) In addition to Conforming Changes, during the term, the Buyers or FairPoint may request that Supplier agree to modify any of the Transition Services to comply with then-existing law or requirements of a Governmental Authority (a “Service Modification”). Buyers or FairPoint shall deliver to Supplier’s Single Point of Contact (as defined in Article XI) a written description of the proposed change (each, a “Change Request”).

(c) Supplier shall provide all proposed Service Modifications. Supplier shall make commercially reasonable efforts to complete and implement Service Modifications at the time or on the schedule required by law or requirements of the Governmental Authority, taking into account Supplier’s pre-existing work load,

service obligations and requirements of law in respect of its Affiliates. The Supplier's time expended to implement a Service Modification (other than a Service Modification required to be implemented by applicable law or any governmental order generally applicable to all telecommunications operators as in effect prior to the Closing Date but not any Service Modification which is part of any order of a Governmental Authority issued in connection with the Merger) shall be billed to Buyers as Special Services. The Buyers shall reimburse Supplier for its costs and out-of-pocket expenses associated with implementation and delivery of any post-Closing Service Modification (other than a Service Modification required to be implemented by applicable law or any governmental order generally applicable to all telecommunications operators as in effect prior to the Closing Date but not any Service Modification which is part of any order of a Governmental Authority issued in connection with the Merger). FairPoint shall reimburse Supplier for its cost and out-of-pocket expenses associated with implementation and delivery of any pre-Closing Service Modification (except as provided above).

(d) If a Conforming Change occurs or a Change Request is approved in accordance with this Article III, the definition of Transition Services and the Schedules hereto will be deemed amended to reflect the implementation of the Conforming Change or Service Modification as well as any other terms and conditions agreed upon by the parties in writing.

## **ARTICLE IV**

### **CUTOVER REPORTS**

#### **4.1 Cutover Plan.**

(a) As of the date hereof, Supplier and FairPoint shall establish a planning committee (the "Cutover Planning Committee") consisting of two representatives of both Supplier and FairPoint (or their Affiliates), to discuss and plan the delivery by Supplier to Buyer of specific business and system deliverables, including without limitation the extraction of data contained in certain electronic databases of the Supplier no later than 15 months after the Closing Date. Each of FairPoint, on the one hand, and the Supplier, on the other hand, shall designate a member of the Cutover Planning Committee as team leader ("Team Leader") who shall have the primary responsibility and accountability for making team assignments for his/her party, coordinating communications between party teams, and assessing and reporting progress planning and implementing the Cutover Plan as described below. Each Party will devote adequate planning resources to their portion of the Cutover Planning

Committee to allow for timely planning consistent with timelines established in the Cutover Plan, the Deliverable Schedule and FairPoint Cutover Preparation Tasks. The Parties expect to invite other employees or contractors to participate in specialized areas related to the Cutover Plan based on their areas of expertise and responsibility as it relates to the operation of the Spinco Business. The activities of the Cutover Planning Committee shall be conducted consistent with all applicable requirements of law, regulation and contracts, including antitrust and telecommunications laws.

(b) Within 30 calendar days following the date hereof, the Cutover Planning Committee shall hold its initial meeting to commence planning and preparation for the Buyers to cease using all Transition Services and thereafter to operate the Spinco Business using FairPoint's and/or Surviving Corporation's own systems and services or those of other third parties (the "Cutover"). The services provided by the Supplier in connection with planning the Cutover are "Supplier Cutover Planning Services".

(c) Within 90 calendar days following the date hereof, Supplier shall deliver to FairPoint Supplier's preliminary draft of a cutover plan (the "Preliminary Cutover Plan") The Preliminary Cutover Plan shall include, among other provisions, a plan for activities and tasks that will be completed prior to and immediately following the Cutover Date, and those matters relating to ISP cutover described on Schedule E hereto.

(d) The Cutover Planning Committee shall review the Preliminary Cutover Plan. Within 30 calendar days following receipt, FairPoint may make suggestions for modification and amendment to the Preliminary Cutover Plan. Supplier shall review all such suggestions in good faith and consider, among other factors, their commercial reasonableness, technical feasibility, the anticipated implementation period, available Supplier and Affiliate resources, and existing Supplier and Affiliate obligations and activities. Within 30 calendar days following receipt of the FairPoint suggestions for modification, Supplier shall accept or reject any or all such suggestions in its reasonable discretion and resubmit to FairPoint the Preliminary Cutover Plan. In addition, Supplier will provide a detailed deliverable schedule based on a target cutover date. This schedule, which shall become part of the Cutover Plan, shall include projected time lines for delivery of Supplier deliverables which are sufficient to allow Buyers' testing where applicable, and the final deliverable dates in respect of all portions of the Spinco Business. The final documents delivered to FairPoint by Supplier after good faith consideration of FairPoint modification suggestions shall constitute the "Cutover Plan". Under no circumstances may the Cutover Plan contradict the express terms of this Agreement, unless unanimously agreed to by the Cutover Planning Committee.



(e) Within 90 calendar days following the date hereof, FairPoint shall deliver to Supplier a preliminary description of its proposed cutover tasks (the “Preliminary FairPoint Cutover Preparation Tasks”). The Preliminary FairPoint Cutover Preparation Tasks shall include, among other provisions, a suggested cutover date using a target cutover of approximately 15 months from the date hereof, a plan for activities and tasks related to pre-cutover acceptance, testing and processing of Supplier’s data extracts, and the plan to establish FairPoint systems and processes in order to allow Buyers to function independent of Supplier and its Affiliates. [ The Preliminary FairPoint Cutover Preparation Tasks will provide for post-exit regular data feeds to the Supplier such that the Supplier may meet its Schedule A Service obligations related to DSL service with the understanding that such data feeds are provided at no cost to Supplier.]

(f) The Cutover Planning Committee shall review the Preliminary FairPoint Cutover Preparation Tasks. Within 30 days following receipt, Supplier shall review and may make suggestions in its reasonable discretion for modification and amendment to the Preliminary FairPoint Cutover Preparation Tasks. Within 30 days after receipt of Supplier’s suggestions for modification and suggested cutover date, FairPoint shall accept any or all such suggestions and resubmit to Supplier the Preliminary FairPoint Cutover Preparation Tasks. The final document delivered to Supplier after incorporation of Supplier modification suggestions shall constitute the “FairPoint Cutover Preparation Tasks”.

(g) In addition to the scheduled reviews and meetings described in the Section 4.1, after delivery of the Cutover Plan, the Cutover Planning Committee and/or Team Leaders shall have additional meetings (telephonically or otherwise) not more frequently than weekly to consider the status of the various plans and consider any mutually-agreed additional plans or schedules.

## **ARTICLE V**

### **THIRD-PARTY INTELLECTUAL PROPERTY**

5.1 Intellectual Property. Buyers understand that certain rights and licenses to use Third-Party Intellectual Property may be required to provide Transition Services. Within 60 days after the date of this Agreement, Supplier will commence commercially-reasonable efforts to identify licensors of Third-Party Intellectual Property and determine whether consents or waivers are necessary to be obtained from such licensors in order to provide Transition Services.

5.2 Obtaining Waivers or Licenses.

(a) Subject to the last sentence of Section 6.1, within 90 days after the date of the Agreement, Supplier or its Affiliates shall commence commercially-reasonable efforts to obtain, at Supplier's sole cost and expense, any necessary rights, waivers or licenses to use any and all Third-Party Intellectual Property necessary to provide Schedule A Services and Schedule B Services to the Buyers. Subject to any contrary provision of Schedule C or Schedule D, Supplier shall make similar efforts to obtain any necessary rights, waivers or licenses to use any and all Third-Party Intellectual Property necessary to provide Schedule C Services and Schedule D Services at Buyers' sole cost and expense.

(b) To the extent licensors of Third-Party Intellectual Property demand payment of license or other fees for the right to use Third-Party Intellectual Property to deliver Schedule C Services or Schedule D Services, Supplier shall use commercially-reasonable efforts to communicate such demands to FairPoint. FairPoint may direct Supplier to accept or reject such licensor demands and may authorize Supplier in making counteroffers and otherwise direct fee negotiations for a period not to exceed 30 days after receipt of licensor demands.

(c) If no agreement with licensors of Third-Party Intellectual Property in connection with Schedule C Services is reached within 30 days after such licensor's first demand, Supplier will resume its sole and exclusive efforts to obtain necessary licenses and rights on commercially-reasonable terms. Supplier may enter into agreements to pay fees in its sole discretion. All negotiated license fees in respect of Schedule C Services and Schedule D Services shall be paid by Supplier as Third-Party Vendor Costs. FairPoint shall reimburse Supplier for all such fees paid as described in Article VI.

(d) FairPoint agrees to reimburse Supplier for all of its costs and expenses incurred in seeking licenses, waivers or rights from all licensors of Third-Party Intellectual Property in connection with Schedule C Services and Schedule D Services including, without limitation, attorneys' fees which are Third-Party Vendor Costs.

(e) FairPoint agrees to cooperate as reasonably necessary to assist Supplier with obtaining such licenses. From time to time, Supplier may provide FairPoint with a list of Third Party Intellectual Property for which it is seeking waivers or licenses as described in subsection (a) above. Within 30 days after receipt of any such list FairPoint shall advise Supplier in writing of any such Third Party Intellectual Property,

that FairPoint has a license (or will have immediately following Closing) such that it will not be necessary for Supplier to obtain licenses or waivers in respect of the same.

(f) Supplier's obligation to provide each Transition Service shall be contingent upon receipt of all necessary third-party approvals, licenses and rights. Failure to receive such approvals, licenses or rights on a timely basis, after Supplier uses its commercially-reasonable efforts, shall be cause for termination of this agreement with respect to any and all Transition Services affected by the failure to receive such approvals, licenses or rights.

### 5.3 Alternatives.

(a) If after commercially-reasonable efforts to obtain a license have been undertaken as described in Section 5.2 above, any Third-Party Intellectual Property in connection with Schedule C Services or Schedule D Services is not available to Supplier for any reason, Supplier shall suggest specific product alternatives or alternative providers, if known, and if available, provide such information to FairPoint within 120 calendar days of the date Supplier is finally advised that such Third-Party Intellectual Property is not available. Supplier shall obtain a license for the most commercially-reasonable alternative, at FairPoint's sole cost and expense in connection with Schedule C Services or Schedule D Services. If Supplier does not suggest an alternative in respect of Schedule C Services or Schedule D Services as applicable, then FairPoint may suggest an appropriate commercially-available alternative for Supplier's approval, which approval shall not be unreasonably withheld. Supplier shall obtain a license to the alternative suggested by FairPoint, at FairPoint's sole cost and expense in connection with Schedule C Services and Schedule D Services as Third-Party Vendor Costs. If no alternatives are available or approved, then the affected Transition Service shall not be provided.

(b) If Third-Party Intellectual Property is only available to be licensed directly by Buyers or FairPoint, Supplier shall so notify FairPoint and FairPoint shall obtain for its own account or for Buyers' account and at FairPoint's cost and expense (not a Third-Party Vendor Cost) in connection with Schedule C Services and Schedule D Services and at Supplier's cost and expense in connection with Schedule A and B Services, such Third-Party Intellectual Property and the right for Supplier to use such Third-Party Software in the provision of Transition Services for a term not to exceed 16 months after the Closing Date.

(c) FairPoint Intellectual Property. “FairPoint Intellectual Property” is that Intellectual Property created by FairPoint or developed by a third party on behalf of or at the direction of FairPoint, in which FairPoint has all right, title and interest and which is utilized in the performance of the Transition Services. FairPoint grants Supplier a limited, non-exclusive, revocable, worldwide, paid up license to use FairPoint Intellectual Property solely for the purpose of providing the Transition Services.

## ARTICLE VI

### PAYMENT FOR TRANSITION SERVICES

6.1 Payment Upon Termination. In the event that the Merger Agreement is terminated prior to the Closing in circumstances described in Section 9.3(b) of the Merger Agreement, Supplier will invoice FairPoint for (i) any Special Services Fees, including all pre-approved travel costs in connection with the performance of such Special Services, which for greater certainty, does not include any fee for the 500 hours of Special Services described in Section 2.3 above, or any Special Service Fees which have been paid previously (ii) the number of dollars which is equal to the number of hours Supplier, its Affiliates or contractors have labored to provide Schedule B Services multiplied by the Special Service Fee in an amount not to exceed \$34 million; (iii) the amount of Qualified Transition Expenses that exceeds \$20 million; and (iv) (without duplication) any and all Taxes arising from or relating to such payments. FairPoint shall pay such invoice, less any amounts disputed in writing, within 15 calendar days of receipt. Notwithstanding anything herein to the contrary, Supplier shall be under no obligation to incur any fees other than Special Service Fees prior to the date when FairPoint’s stockholders have approved the merger contemplated by the Merger Agreement.

6.2 Closing Date Service Payments. On the Closing Date, the Buyers shall pay Supplier in advance the sum of: (i) Fourteen Million Two Hundred Thousand Dollars (\$14,200,000) for Schedule A Services, (ii) the Schedule C Fees for one month, (iii) the Schedule D Fixed Monthly Service Fees for one month (iv) Third-Party Vendor Costs, if any covering the Schedule C Services and Schedule D Services to be provided during the first month after Closing plus, (v) any Taxes arising from or relating to such payments. The payments described in Sections (i) through (v) collectively the “Initial Payment”.

6.3 Subsequent Service Invoices and Payment.

(a) Prior to the beginning of the second month after Closing the Supplier will invoice in advance for each month of the term thereafter for (i) the Schedule A Fee at the rate specified in Section 2.1(b), (ii) the Schedule C Fixed Monthly Service Fee, (iii) the Schedule D Fixed Monthly Service Fee (iv) Third-Party Vendor Costs, if any, (without duplicating any Third-Party Vendor Fee previously paid in advance pursuant to Section 6.2(iii) above) covering Schedule C Services and Schedule D Services to be provided in the immediately-following month, and (iv) any Taxes arising from or relating to such payments. The Buyers shall pay such invoice, less any amounts disputed in writing, within 15 calendar days of receipt.

(b) Within 30 calendar days after the end of the first month after Closing and each month of the term thereafter and within 30 calendar days after the last day of the term hereof, Supplier shall invoice the Buyers in arrears for (i) the Schedule D Unit-Based Service Fees and Special Service Fees covering all Transition Services provided in the immediately preceding calendar month, or a pro-rata portion of such fees for any partial month and (ii) any Taxes arising from or relating to such payments. The Buyers shall pay each such invoice, less any amounts disputed in writing, within 15 calendar days of receipt.

(c) If the Buyers or FairPoint in good faith dispute owing any amount stated on an invoice, they shall notify Supplier in writing stating the amount of the dispute and giving the reasons for the dispute. The dispute shall be resolved pursuant to the provisions of Article XIX below.

(d) All payments by the Buyers or FairPoint under this Agreement shall be in U.S. dollars by wire transfer of immediately available funds to Supplier's designated account.

6.4 Invoices. All invoices for amounts due under this Agreement on which Taxes would be due shall indicate the jurisdiction of taxation for such Tax. In addition, with each invoice, Supplier shall provide Buyers or FairPoint with a reasonably-detailed breakdown of the Third-Party Vendor Costs and other charges included on such invoice; provided that Supplier received such a breakdown from such third parties.

6.5 Late Payment. All amounts due Supplier under this Agreement that are not paid within 30 calendar days of their due date (other than any amount which is properly disputed) shall bear interest at the Applicable Rate from the due date until paid.

6.6 Surviving Obligations. FairPoint upon early termination of this Agreement pursuant to Section 14.1(a), or Buyers upon early termination of this Agreement pursuant to Sections 14.1(b), or (c), as applicable shall be responsible for paying amounts due or owing to Supplier up to the effective date of such termination. To the extent FairPoint or the Buyers have made any advance payments of Fixed Monthly Service Fees or Third-Party Vendor Costs at the time of early termination, and Supplier has been credited for or is not obligated to pay such Third-Party Vendor Costs, Supplier will issue a credit to the Buyers or FairPoint for the unused portion of any such payments. Buyers' and FairPoint's obligations to reimburse Supplier for any Third- Party Vendor Costs paid by Supplier shall survive termination of any or all Transition Services or this Agreement.

## ARTICLE VII

### SERVICE LEVEL COMMITMENTS

7.1 General. Supplier and its Affiliates shall devote such time, effort and resources to the performance of Transition Services specified in Schedule A, Schedule C and Schedule D in a manner that generally meets any applicable service levels and other requirements set forth in Schedule A, Schedule C and Schedule D; provided, however, that the parties agree that the obligations of Supplier and its affiliates are to tender performance and that its ability to perform will be, or may be, adversely affected by the Buyers' or FairPoint's failure to perform its obligations described in Section 2.8. Supplier further agrees that it and its Affiliates shall perform the Transition Services (i) in compliance with applicable law and any governmental or regulatory requirements and (ii) with the same overall standards of quality, timeliness and efficiency as such services are then being provided by Supplier's Affiliates to Verizon New England Inc. taking into account reasonable fluctuations that occur from month to month.

7.2 Supplier Cooperation. Supplier shall, and shall cause its Affiliates to, use commercially reasonable efforts to cooperate with FairPoint and its Affiliates, and to perform, in a timely fashion, its obligations prior to the Closing Date and after the Closing Date; provided, that such efforts shall not require Supplier and its Affiliates to (x) incur additional expenses, obligations or liabilities other than as expressly required herein, (y) disproportionately or unreasonably interfere, either individually or in the aggregate, with the conduct of the Verizon Business or (z) be inconsistent with the express terms of this Agreement or any Schedule hereto.

7.3 Correction. In the event Supplier fails to deliver the Transition Services in any material respect in accordance with this Agreement, Supplier shall, at its expense,

resolve any such discrepancies as promptly as reasonably practicable, given the nature and severity of the matter at issue. Supplier shall keep FairPoint and Buyers informed regarding the status of its actions to resolve such discrepancies and the resolution thereof.

## **ARTICLE VIII**

### **PERSONNEL AND SYSTEMS PROVIDING TRANSITION SERVICES**

8.1 Personnel. Supplier and its Affiliates shall have the sole and exclusive responsibility for selecting and managing their personnel who provide Transition Services and shall supervise them in connection with the performance of Transition Services. Such personnel shall be qualified, in the reasonable opinion of Supplier, for the tasks to which they are assigned. Supplier or its Affiliates shall pay and be responsible for all wages, salary or other compensation, taxes, insurance and, except as expressly specified herein or in any Schedule or separate agreement, other costs and expenses with respect to such personnel.

8.2 Intellectual Property, Equipment and Systems. Supplier and its Affiliates shall have the sole and exclusive responsibility and discretion to select and provide the Intellectual Property, equipment and systems necessary to deliver the Transition Services, provided, however, that the foregoing shall not affect the Supplier's obligation to comply with any specified service level and the other terms and conditions of this Agreement.

## **ARTICLE IX**

### **INTENTIONALLY OMITTED**

## **ARTICLE X**

### **EMPLOYMENT OF CONTRACTORS OR THIRD PARTIES**

10.1 Subcontractors. To the extent that Supplier or any of its Affiliates determines that it is desirable for any reason in their sole discretion, Supplier may contract with reasonably-qualified third parties to provide any or all Transition Services to the Buyers for the remainder of the term and (ii) further, if in the judgment of counsel for Supplier, any requirement of law precludes Supplier from performing any Transition Service or performing any of its obligations of this Agreement, Supplier may assign the

performance of those obligations to a reasonably-qualified third party selected by Supplier in its reasonable discretion.

10.2 Subcontractor Payments. Supplier shall remain fully responsible for its performance of this Agreement in accordance with its terms, including any obligations it performs through third parties, and Supplier shall be solely responsible for all payments due to third parties. Notwithstanding anything to the contrary, amounts due from Supplier and its Affiliates to their subcontractors shall not be included in the Third-Party Vendor Costs to the extent such amounts are for services that are duplicative of services for which Supplier is charging Buyers or FairPoint any fee.

## ARTICLE XI

### SINGLE POINT OF CONTACT; DISPUTE RESOLUTION

11.1 Single Point of Contact. FairPoint and Supplier shall each appoint a person who shall be available to receive communications and coordinate responses to questions and concerns on behalf of their respective parties and their Affiliates with respect to this Agreement or the Transition Services, including billing and operational matters (“Single Point of Contact”). Except in respect of the activities of the Cutover Planning Committee or the Team Leaders described in Section 4.1, or unless otherwise authorized in writing or set forth in the policies and procedures of Supplier or its Affiliates or as specified on any Schedule hereto, FairPoint and Supplier agree that their representatives and employees shall not contact any representatives of the other party, other than the designated Single Point of Contact. Notwithstanding the provisions of this Article XI, in the event of any network or service outage or other similar emergency relating to any Transition Service, a party shall attempt to contact the Single Point of Contact of the other party, but may also directly contact that person most able to resolve the emergency expeditiously.

11.2 Dispute Resolution. The Single Points of Contact shall meet as often as reasonably necessary in an effort to resolve disputes without the necessity of any formal proceeding relating thereto. If the Single Points of Contact do not resolve a dispute within 30 calendar days, then either party may escalate the dispute to its Senior Executive Officer. If such dispute cannot be resolved by the Senior Executive Officers of the parties within 10 days after initiation of discussions, either party may initiate formal proceedings as permitted by this Agreement. The foregoing requirements and limitations shall not, however, prevent a party from: (i) seeking injunctive relief in circumstances permitted by this Agreement, or (ii) terminating this Agreement (in whole or in part) in accordance with Article XIV.



## ARTICLE XII

### POLICIES, PROCEDURES AND TRAINING

12.1 Policies and Procedures. Supplier and its Affiliates agree to follow and abide by all commercially-reasonable written policies and procedures provided by FairPoint or Buyers from time to time in connection with the provision of Transition Services with respect to access to FairPoint's or its Affiliates' systems or premises, to the extent that such policies and procedures do not conflict with the requirements of this Agreement or any Schedule hereto. FairPoint and its Affiliates agree to follow and abide by all commercially-reasonable written policies and procedures provided by Supplier from time to time in connection with the provision of Transition Services with respect to (i) provision of data by FairPoint, Buyers or their Affiliates to Supplier or its Affiliates, (ii) Buyers' access to or use of any Supplier or Affiliate computer support systems and (iii) plant work and right-of-access rules as further described in Article XX, all to the extent that such policies and procedures do not conflict with the requirements of any schedule hereto, it being understood that the policies applicable to Verizon New England Inc. as of the Closing Date shall be deemed to be commercially reasonable.

12.2 Training. To the extent that a party deems reasonably necessary, the other party shall make its employees or representatives reasonably available for training with respect to its policies and procedures, at times and locations mutually agreed upon by the parties. The parties may charge a fee for such training consistent with the provisions of Section 2.3 hereof.

12.3 No Warranty. The parties acknowledge and agree that Supplier and its Affiliates are not generally in the business of providing commercial transition services, and accordingly, neither Supplier nor any of its Affiliates makes any representation or warranty that any policies, procedures or training materials shall be complete, accurate or suitable for FairPoint's or the Buyers' purposes, nor shall Supplier be required to revise such policies, procedures or training materials for any reason.

## ARTICLE XIII

### TERM

13.1 Term. This Agreement shall become effective as of the date first written above and shall expire without notice upon the earlier of: (i) the date that a termination pursuant to Section 14.1 becomes effective, or (ii) the date identified in a Cutover Date

Notice delivered by Supplier pursuant to Section 13.6 hereof, after receipt of a Notice of Readiness for Cutover described in Section 13.2 hereof, which date shall be in the month of January, March, May, July, September or November immediately following the 15-month anniversary of the Closing Date, or (iii) in respect of early termination of the Schedule A Services, Schedule C and Schedule D Services, (terminating at the same time) the date identified in a Cutover Date Notice delivered by Supplier pursuant to Section 13.6 hereof after receipt of a Notice of Readiness for Cutover described in Section 13.3 hereof, which date shall be in the month of January, March, May, July, September or November, or (iv) in respect of early termination of the Schedule A Services and Schedule D Services only (without termination of Schedule C Services), the date identified in a Cutover Notice delivered by Supplier pursuant to Section 13.6 hereof after receipt of a Notice of Readiness for Cutover described in Section 13.4, which date shall be in the month of January, March, May, July, September or November, or (v) in respect of early termination of the Schedule C services only (without termination of Schedule A Services or Schedule D Services) the date identified in a Cutover Notice delivered by Supplier pursuant to Section 13.6 hereof after receipt of a Notice of Readiness for Cutover described in Section 13.5, which date shall be in the month of January, March, May, July, September or November. Supplier and its Affiliates shall commence providing Transition Services described on Schedules A, C and D on the Closing Date of the Merger and, upon receipt of the Initial Payment. Subject to the terms and conditions hereof and of the Cutover Plan shall provide each Transition Service for the remainder of the term hereof.

13.2 Full Term Cutover Notice. Unless this agreement is earlier terminated pursuant to the provisions of Article XIV or pursuant to the provisions of Sections 13.3, 13.4 or 13.5, at least 60 calendar days prior to the 15-month anniversary of the Closing Date, Surviving Corporation shall deliver to Supplier either (i) an irrevocable “Notice of Readiness for Cutover”, which shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Transition Services from Supplier or have engaged a third party to provide such services, or (ii) an irrevocable “Notice of Intention to Holdover” which shall include a representation to the effect that either the Surviving Corporation and the Buyers have not made arrangements to operate the Spinco Business without any Transition Services from Supplier and have not engaged a third party to provide such services. Surviving Corporation shall also deliver to Supplier a Notice of Readiness for Cutover, at such time as Surviving Corporation is prepared to end a Holdover Period as described in Section 14.2.

13.3 Notice of Readiness for Early Cutover in Respect of Schedule A, Schedule C and Schedule D Services. Surviving Corporation may at any time after the later of the 13 month anniversary of the date hereof and the 1 month anniversary of the Closing Date, deliver to Supplier an irrevocable “Notice of Readiness for Cutover” in

respect of Schedule A, Schedule C and Schedule D Services (to be terminated on the same date), which notice shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Schedule A, Schedule C and Schedule D Services from Supplier or have engaged a third party to provide such services. The effective date for any such Notice of Readiness for Cutover shall be deemed to be the last calendar day of the month in which such notice is received by Supplier (the “Notice Effective Date”)

13.4 Notice of Readiness for Early Cutover in Respect of Schedule A Services and Schedule D Services Only. Surviving Corporation may at any time after the later of the 13 month anniversary of the date hereof and the 1 month anniversary of the Closing Date, deliver to Supplier an irrevocable “Notice of Readiness for Cutover” in respect of Schedule A Services and Schedule D Services only (it being understood that in such case, Schedule C Services shall continue after termination of Schedule A Services and Schedule D Services), which notice shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Schedule A Services and Schedule D Services from Supplier or have engaged a third party to provide such services. The effective date for any such Notice of Readiness for Cutover shall be deemed to be the last calendar day of the month in which such notice is received by Supplier (the “Notice Effective Date”)

13.5 Notice of Readiness for Early Cutover in Respect of Schedule C Services Only. Surviving Corporation may at any time after the later of the 13 month anniversary of the date hereof and the 1 month anniversary of the Closing Date, deliver to Supplier an irrevocable “Notice of Readiness for Cutover” in respect of Schedule C Services only (it being understood that in such case, Schedule A Services and Schedule D Services shall continue after termination of Schedule C Services), which notice shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Schedule C Services from Supplier or have engaged a third party to provide such services. . The effective date for any such Notice of Readiness for Cutover shall be deemed to be the last calendar day of the month in which such notice is received by Supplier (the “Notice Effective Date”)

13.6 Cutover Date Notice. Within 10 calendar days of Supplier’s receipt of a Notice of Readiness for Cutover described in Section 13.2, Supplier shall deliver to Surviving Corporation a “Cutover Date Notice” identifying the specific date for Cutover and termination of all Transition Services. Supplier shall also deliver a Cutover Date Notice to Surviving Corporation in connection with any termination pursuant to the provisions of Section 14.1(b),(c) or 14.2. In respect of any Cutover Date Notice delivered after receipt of a Notice of Readiness for Cutover pursuant to Section 13.3, 13.4 or 13.5 above, the Cutover Date shall be a date which is not earlier than 50 days nor later

than 90 days after the Notice Effective Date if such date is in the month of January, March, May, July, September or November. If the date required by the immediately preceding sentence is not in one of the named months, then Cutover Date shall be within the next calendar month. In determining in its reasonable discretion the specific cutover date to include in a Cutover Date Notice, in addition to other factors, Supplier shall consider Supplier's Affiliates month-end financial data processing and the last regular monthly bill cycle. The date on which the Cutover and termination of all remaining Transition Services to any part of the Spinco Business occurs shall be referred to as the "Final Cutover Date."

## ARTICLE XIV

### TERMINATION

#### 14.1 Termination of Agreement.

(a) This Agreement shall automatically terminate upon the termination of the Merger Agreement.

(b) Supplier may terminate this Agreement at: (i) for non-payment of any fee or amount due under this Agreement which is not disputed or was disputed in bad faith after providing at least 30 days prior written notice to FairPoint to cure or (ii) after a Change of Control (other than pursuant to the transactions contemplated by the Distribution Agreement or the Merger Agreement). A termination pursuant to this section shall be effective on the date identified in a Cutover Date Notice delivered by Supplier, which date shall be in the month of January, March, May, July, September or November immediately following the expiration of the 30-day cure period or Change of Control described above.

(c) FairPoint may terminate this Agreement for a material breach after providing the Supplier at least 60 days prior written notice and a reasonable opportunity to cure. A termination pursuant to this section shall be effective on the date identified in a Cutover Date Notice delivered by Supplier, which date shall be in the month of January, March, May, July, September or November immediately following the expiration of the 60-day cure period described above.

(d) This Agreement shall terminate automatically upon the Final Cutover Date.

14.2 Post Expiration Continuation of Services. Buyers and FairPoint acknowledge and agree that Buyers must be prepared to perform, or have other third parties perform on their behalf, all of the remaining Transition Services without interruption upon the Cutover. Supplier agrees to reasonably cooperate in such planning and preparation and to reasonably cooperate in the transition of the remaining Transition Services to the Buyers, Surviving Corporation or their designee, including by performing the tasks assigned to it in the Cutover Plan. If at the time for termination, the Buyers have not made arrangements to operate the Spinco Business without any remaining Transition Services from Supplier or have not engaged a third party to provide such services, and after the time for termination, the Buyers continue to receive any of the remaining Transition Services for any reason, then the parties agree that Supplier and its Affiliates shall continue to provide all such Transition Services, until (i) such time as Buyers can transition off all of Transition Services and (ii) the effective date of termination as described hereafter (“Holdover Period”). The Holdover Period shall end and the effective date of termination shall be on the date identified in a Cutover Date Notice delivered by Supplier, which date shall be in the month of January, March, May, July, September or November which is at least 30 calendar days following receipt by Supplier of Buyers’ Notice of Readiness for Cutover.

14.3 Survival. The following provisions will survive any expiration or termination of this Agreement with respect to any or all of the Transition Services: Article II (“Transition Services”), Article V (“Third-Party Intellectual Property”), Article VI (“Payment For Transition Services”), Article IX (“Non-Solicitation of Employees”), Article XV (“Limitation on Liabilities”), Article XVI (“Indemnification”), Article XVIII (“Records; Access”), Article XIX (“Dispute Resolution”), Article XXII (“Miscellaneous”) and this Article XIV (“Termination”).

## ARTICLE XV

### LIMITATION ON LIABILITIES

15.1 Limitation on Liabilities. Except as otherwise provided in this Article XV, the liability of Supplier and its Affiliates on the one hand, and of FairPoint, Surviving Corporation, the Buyers or their Affiliates on the other hand, arising out of or relating to this Agreement, including without limitation on account of performance or nonperformance of obligations hereunder, regardless of the form of the cause of action, whether in contract, tort (including without limitation gross negligence), statute or otherwise, shall in no event exceed: (i) with respect to Supplier’s liability, the sum of the amounts paid to Supplier during the term contemplated hereby (excluding Schedule C and Schedule D Third-Party Vendor Costs and Taxes) under this Agreement during the term at the time the liability arises under this Agreement and (ii) with respect to Buyers’

liability, FairPoint's or Surviving Corporation's liability, the sum of the amounts payable to Supplier were this Agreement to continue in effect for the entire 15-month term contemplated hereby.

15.2 No Warranties; No Special Damages. SUPPLIER AND ITS AFFILIATES MAKE NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE TRANSITION SERVICES, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. EXCEPT AS OTHERWISE PROVIDED IN THIS ARTICLE XV, IN NO EVENT SHALL ANY PARTY OR ANY OF THEIR AFFILIATES BE LIABLE HEREUNDER FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND ARISING FROM THE BREACH OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF PROFITS OR BUSINESS INTERRUPTION.

15.3 Exceptions to Limitations. Notwithstanding Sections 15.1 and 15.2 above, the caps on the amount of liability and the limitations on type of liability described therein shall not apply to: (i) the willful misconduct of a party, (ii) any violation by Supplier of Section 2.9, (iii) third party indemnity obligations pursuant to Article XVI below, or (iv) any violation of Section 22.15.

## ARTICLE XVI

### INDEMNIFICATION

16.1 Indemnification by Surviving Corporation. FairPoint and, after the Closing Date, the Surviving Corporation and Buyers shall, jointly and severally, indemnify and hold harmless Supplier and its Affiliates and their respective officers, directors, employees, successors and assigns (collectively, "Supplier Indemnitees") from and against any expense, claim, loss or damage (including court costs and reasonable attorney's fees) ("Losses") suffered or incurred by any of the Supplier Indemnitees in connection with any third-party claims against any of the Supplier Indemnitees arising from or relating to:

(a) all claims for bodily injury to persons or physical damage to tangible personal or real property for which FairPoint (and after the Closing Date Surviving Corporation and Buyers) are legally liable to that third party, except to the extent caused by the negligence or intentional misconduct of Supplier Indemnitees;

(b) all claims arising from a violation of any federal, state, local or foreign law, rule, regulation or order applicable to FairPoint by FairPoint;

(c) all claims for any Tax owed by Surviving Corporation and Buyers under Article XVII (including any Tax that is the subject of an exemption certificate which exemption is determined to have been inapplicable in whole or in part);

16.2 Indemnification by Supplier. Supplier shall indemnify and hold harmless FairPoint and after the Closing Date Surviving Corporation and Buyers and their respective officers, directors, employees, successors and assigns (collectively, "FairPoint Indemnitees") from and against any Losses suffered or incurred by any of the FairPoint Indemnitees in connection with any third-party claims against any of the FairPoint Indemnitees, arising from or relating to:

(a) all claims for bodily injury to persons or physical damage to tangible personal property or real property for which Supplier (and prior to the Closing Date Buyers) are legally liable to that third party, except to the extent caused by the negligence or intentional misconduct of FairPoint Indemnitees;

(b) all claims arising from a violation of any federal, state, local or foreign law, rule, regulation or order applicable to Supplier by Supplier; and

(c) all claims for any Tax owed by Supplier under Article XVII.

16.3 Tax Indemnification. FairPoint and after the Closing Date Buyers shall also jointly and severally indemnify and hold harmless Supplier and its Affiliates from and against any Tax owed to any of them under Article XVII (including any Tax that is the subject of an exemption certificate which exemption is determined to have been inapplicable in whole or in part), plus any costs or expenses (including reasonable attorneys' fees) suffered or incurred by Supplier or any Affiliate in defending itself against a claim for such Taxes.

16.4 Indemnification Procedure- Defense of Claims.

(a) (a) Third Party Claims. If any Indemnitee receives notice of the assertion of any claim or of the commencement of any action or proceeding by any entity that is not either a FairPoint Indemnitee or a Supplier Indemnitee (each, a "Third Party

Claim”) against such Indemnitee, with respect to which an Indemnitor is obligated to provide indemnification under this Agreement, the Indemnitee will give such Indemnitor prompt written notice thereof, but in any event not later than ten calendar days after receipt of notice of such Third Party Claim, provided, however, that the failure of an Indemnitee to notify the Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise). Upon receipt of notification of a Third Party Claim, the Indemnitor shall be entitled, upon written notice to the Indemnitee, to assume the investigation and defense thereof at such Indemnitor’s expense with counsel reasonably satisfactory to the Indemnitee, provided that the Indemnitor shall not have the right to assume the defense of any Third Party Claim in the event such Third Party Claim is primarily for injunctive relief or criminal penalty of the Indemnitee, and in any such case, the reasonable fees and expenses of counsel to the Indemnitee in connection with such Third Party Claim shall be considered “Losses” for purposes of this Agreement. Whether or not the Indemnitor elects to assume the investigation and defense of any Third Party Claim, the Indemnitee shall have the right to employ separate counsel and to participate in the investigation and defense thereof; provided, however, that the Indemnitee shall pay the fees and disbursements of such separate counsel unless (1) the employment of such separate counsel has been specifically authorized in writing by the Indemnitor; (2) the Indemnitor has failed to assume the defense of such Third Party Claim within 20 calendar days after receipt of notice thereof with counsel reasonably satisfactory to such Indemnitee; or (3) the named parties to the proceeding in which such claim, demand, action or cause of action has been asserted include both the Indemnitor and such Indemnitee and, in the reasonable judgment of counsel to such Indemnitee, there exists one or more good faith defenses that may be available to the Indemnitee that are in conflict with those available to the Indemnitor or that the Indemnitor and Indemnitee have actual material conflicting interests with respect to such claim, demand, action or cause of action. Notwithstanding the foregoing, the Indemnitor shall not be liable for the fees and disbursements of more than one counsel for all Indemnitees in connection with any one proceeding or any similar or related proceedings arising from the same general allegations or circumstances. Without the prior written consent of an Indemnitee, which shall not be unreasonably withheld or delayed, the Indemnitor will not enter into any settlement of or consent to the entry of judgment in connection with any Third Party Claim that (i) would lead to liability or create any financial or other obligation on the part of the Indemnitee, (ii) does not contain, as an unconditional term thereof, the release of the Indemnitee from all liability in respect of such Third Party Claim or such Third Party Claim is not dismissed against the Indemnitee with prejudice and without the imposition of any financial or other obligation on the Indemnitee or (iii) admits the liability or fault of the Indemnitee (the “Settlement Requirements”). If a settlement offer solely for money damages (and otherwise satisfying the Settlement Requirements) is made to resolve a Third Party Claim and the



Indemnitor notifies the Indemnitee in writing of the Indemnitor's willingness to accept the settlement offer and pay the amount called for by such offer without reservation of any rights or defenses against the Indemnitee and if the Indemnitee fails to consent to such settlement offer within ten calendar days after its receipt of such notice, Indemnitee may continue to contest such claim, free of any participation by the Indemnitor, and the amount of any ultimate liability with respect to such Third Party Claim that the Indemnitor has an obligation to pay hereunder shall be limited to the lesser of (x) the amount of the settlement offer that the Indemnitee declined to accept plus the Losses of the Indemnitee relating to such Third Party Claim through the date of its rejection of the settlement offer or (y) the aggregate Losses of the Indemnitee with respect to such claim. The party controlling any defense shall keep the other party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider in good faith all reasonable recommendations made by the other party with respect thereto.

(b) Direct Claims. Any claim by an Indemnitee for Losses that do not result from a Third Party Claim (each, a "Direct Claim") shall be asserted by giving the Indemnitor prompt written notice thereof, but in any event not later than 60 calendar days after the incurrence thereof or such Indemnitee's actual knowledge of such event (whichever is later), provided, however, that the failure of an Indemnitee to notify the Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise), and the Indemnitor will have a period of 30 calendar days within which to respond in writing to such Direct Claim. If the Indemnitor does not so respond within such 30 calendar day period, the Indemnitor will be deemed to have accepted such claim. If the Indemnitor rejects such claim, the Indemnitee will be free to pursue such remedies as may be available to the Indemnitee on the terms and subject to the provisions of this Article XVI.

#### 16.5 Surviving Liability.

(a) As of the date hereof and until the Closing, FairPoint shall be liable for any amounts owed to Supplier and its Affiliates pursuant to this Agreement.

(b) As of the Closing and thereafter, Surviving Corporation and Buyers shall be jointly and severally liable for any amounts owed to Supplier and its Affiliates pursuant to this Agreement.

## ARTICLE XVII

### TAXES

17.1 Taxes. The Buyers shall pay Supplier or its Affiliates for any Tax (except income taxes) levied upon any Transition Service or Schedule B Service or on Supplier or an Affiliate with respect to any Transition Service or Schedule B Service; provided, however, to the extent Tax is not collected and remitted by Supplier or its Affiliates, Buyers may remit such Tax directly to the appropriate Governmental Authority. If the Buyers determine that any Transition Service or Schedule B Service is exempt from a Tax, the Buyers shall provide Supplier with a properly completed and timely exemption certificate for each jurisdiction for which the Buyers are claiming an exemption before Supplier may exclude the respective Tax from the amounts charged the Buyers. Supplier will invoice the Buyers for applicable Taxes with respect to the Transition Services in the manner provided in Article VI. If the Buyers dispute any invoice for Taxes owing in good faith, it shall immediately notify Supplier in writing, giving the reasons for the dispute. The Buyers shall be responsible for and will reimburse Supplier for any costs and expenses incurred by Supplier in contesting those Taxes disputed by the Buyers before the appropriate Governmental Authority. Any amount due under this paragraph, which is not paid within 30 calendar days that is not subject to a good faith dispute, shall bear interest at the Applicable Rate until paid. Notwithstanding the foregoing, the Buyers shall not be obligated for, and Supplier shall pay, all Taxes on the income of Supplier (and, prior to the Closing, Buyers), and each party shall bear sole responsibility for all real or personal property-related Taxes on its owned or leased real or personal property (including sales and use taxes on such property acquired in order to provide the Transition Services), for franchise or similar Taxes on its business, for employment Taxes on its employees, and for intangible Taxes on property it owns or licenses.

## ARTICLE XVIII

### RECORDS; ACCESS

18.1 Records. Supplier and its Affiliates shall maintain records with respect to the Transition Services that are in a form and contain a level of detail similar to records, if any, that are maintained in providing similar services for Verizon New England Inc. and the Contributing Companies (and in any event consistent with applicable law), for a period of 1 year after the termination of this Agreement or such longer period as required by applicable law. Supplier shall also maintain records in accordance with applicable law and generally accepted accounting principles to substantiate charges for Third-Party Intellectual Property and Taxes for a period of 18 months from the date of termination or expiration of this Agreement. During the period in which Supplier is required to

maintain such records, upon prior written request to Supplier, Buyers shall have access to such records during normal business hours of Supplier or its applicable Affiliate at the place where such records are normally maintained.

18.2 Access to Books, Records, Personnel. During the term of this Agreement and for a period of 18 months thereafter, Supplier and its Affiliates shall permit Buyers and their employees, auditors and other representatives to have reasonable access, during normal business hours and upon reasonable advance notice, to books and records and appropriate personnel of Supplier and its Affiliates, to the extent such access is reasonably requested by Buyers in order to permit the evaluation of, and any required reporting, certifications and attestations with respect to, internal controls, processes and systems in connection with the provision of the Transition Services for purposes of compliance with the Sarbanes-Oxley Act of 2002.

## ARTICLE XIX

### DISPUTE RESOLUTION

19.1 General. Except with respect to injunctive relief described below, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, which shall not include any challenge or dispute as to the rate for any Transition Service payable under Article II or Section 14.2(b), shall attempt to be settled first, by good faith efforts of the parties to reach mutual agreement, and second, if mutual agreement is not reached to resolve the dispute, by final, binding arbitration as set out below.

19.2 Initiation. A party that wishes to initiate the dispute resolution process shall send written notice to the other party with a summary of the controversy and a request to initiate these dispute resolution procedures. Each party shall appoint a knowledgeable, responsible representative who has the authority to settle the dispute, to meet and to negotiate in good faith to resolve the dispute. The discussions shall be left to the discretion of the representatives who may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations. Discussions and correspondence among the representatives for purposes of these negotiations (i) shall be treated as confidential information under the Confidentiality Agreement developed for purposes of settlement, (ii) shall be exempt from discovery and production and (iii) shall not be admissible in the arbitration described above or in any lawsuit pursuant to Rule 408 of the Federal Rules of Evidence. Documents identified in or provided with such communications, which are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted in evidence in the arbitration or

lawsuit. The parties agree to pursue resolution under this subsection for a minimum of 30 calendar days before requesting arbitration.

19.3 Arbitration Request. If the dispute is not resolved under the preceding subsection within 30 days of the initial written notice, either party may demand arbitration by sending written notice to the other party. The parties shall promptly submit the dispute to the American Arbitration Association for resolution by a single neutral arbitrator acceptable to both parties, as selected under the rules of the American Arbitration Association. The dispute shall then be administered according to the American Arbitration Association's Commercial Arbitration Rules, with the following modifications: (i) the arbitration shall be held in a location mutually acceptable to the parties, and, if the parties do not agree, the location shall be New York City, New York; (ii) the arbitrator shall be licensed to practice law; (iii) the arbitrator shall conduct the arbitration as if it were a bench trial and shall use, apply and enforce the Federal Rules of Evidence and Federal Rules of Civil Procedure; (iv) except for breaches related to Confidential Information, the arbitrator shall have no power or authority to make any award that provides for consequential, punitive or exemplary damages or extend the term hereof; (v) the arbitrator shall control the scheduling so that the hearing is completed no later than 30 days after the date of the demand for arbitration; and (vi) the arbitrator's decision shall be given within 5 days thereafter in summary form that states the award, without written decision, which decision shall follow the plain meaning of this Agreement, and in the event of any ambiguity, the intent of the parties. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction over the parties. Each party to the dispute shall bear its own expenses arising out of the arbitration, except that the parties shall share the expenses of the facilities to conduct the arbitration and the fees of the arbitrator equally.

19.4 Injunctive Relief and Specific Performance.

(a) The foregoing and Section 22.8 below notwithstanding, each party shall have the right to seek injunctive relief in any permitted court of law or equity to preserve the status quo pending resolution of the dispute and enforce any decision relating to the resolution of the dispute.

(b) If Supplier materially breaches its obligations with respect to planning for Cutover set forth in Article IV, Supplier agrees that FairPoint would be irreparably harmed, and, without any additional findings of irreparable injury or harm or other considerations of public policy, FairPoint shall be entitled to apply to a court of competent jurisdiction for and, provided FairPoint follows the appropriate procedural requirements (including notice and an affidavit that FairPoint has not failed to perform

its material obligations set forth in Article IV). Supplier shall not oppose the granting of an injunction compelling specific performance by the Supplier of its obligations under Article IV of this Agreement without the necessity of posting any bond or other security.

## **ARTICLE XX**

### **PLANT WORK RULES AND RIGHT OF ACCESS**

20.1 Compliance. Subject to any policies and procedures provided as set forth in Article XII above, the employees, subcontractors and agents of the parties, while on the premises of the other, shall comply with all reasonable and customary plant rules, regulations and standards for security which are not in violation of the terms and conditions of this Agreement.

20.2 Access to Facilities. Each party shall permit reasonable access commensurate with the requirements of the tasks to be performed during normal working hours to its facilities that are used in connection with the performance of Transition Services. No charge shall be made for such visits. Reasonable prior notice shall be given when access is required.

20.3 Computer Matters. Subject to any policies and procedures provided as set forth in Article XII above, to the extent that the Transition Services include a party's access to computer support systems or electronic data storage systems of the other party or its Affiliates, whether on-site or through remote facilities, the accessing party shall use such computer support systems solely for the purpose of providing or receiving Transition Services. An accessing party or its Affiliates shall not access or attempt to access any computer system, electronic file, software or other electronic services other than those specifically required to accomplish or receive the Transition Services required under this Agreement. Under no circumstances shall either party's personnel access any networks or facilities of the other party for the purpose of accessing other external networks, nor shall any such capabilities for such access be published or made known via any medium, as for example and not by way of limitation, posting on bulletin boards or E-mail. Any such use or publication shall be a material breach of this Agreement. Neither party shall use back doors, data capture routines, games, viruses, worms or Trojan horses, and any intentional introduction of such into the other party's data networks shall be deemed a material breach of this Agreement. The party receiving access shall limit such access to those of its employees whom the other party has authorized in writing to have such access in connection with this Agreement or the applicable Transition Service, and shall strictly follow all security rules and procedures

for use of the providing party's electronic resources. All user identification numbers and passwords and any information obtained as a result of access to and use of a party's computer and electronic data storage systems shall be deemed to be, and shall be treated as, Confidential Information under applicable provisions of the Confidentiality Agreement. Each party agrees to cooperate with the other in the investigation of any apparent unauthorized access to a party's computer or electronic data storage systems.

## ARTICLE XXI

### INSURANCE

21.1 Coverage. During the term of this Agreement, each party shall obtain and maintain the following insurance: (i) Commercial General Liability, including coverage for (a) premises/operations, (b) independent contractors, (c) products/completed operations, (d) personal and advertising injury, (e) contractual liability and (f) explosion, collapse and underground hazards, with combined single limit of not less than \$5,000,000.00 each occurrence or its equivalent; (ii) Worker's Compensation in amounts required by applicable law and Employer's Liability with a limit of at least \$1,000,000.00 each accident; and (iii) Automobile Liability including coverage for owned/leased, non-owned or hired automobiles with combined single limit of not less than \$1,000,000.00 each accident.

21.2 Self-insurance. Without limiting the required coverage amounts set forth in Section 21.1, all parties expressly acknowledge that a party shall be deemed to be in compliance with the provisions of this Section 21.2 if it maintains an approved self-insurance program providing for retention of up to \$1,000,000.00. If either party provides any of the foregoing coverage on a claims-made basis, such policy or policies shall be for at least a 3 year extended reporting or discovery period.

21.3 Rating. Unless otherwise agreed, all insurance policies shall be obtained and maintained with companies rated A or better by Best's Key Rating Guide, and each party shall, upon request, provide the other party with an insurance certificate confirming compliance with the requirements of this Section 21.3.

21.4 Subrogation. The parties shall each obtain from the insurance companies providing the coverage required by this Agreement, the permission of such insurers to allow such party to waive all rights of subrogation and such party does hereby waive all rights of said insurance companies to subrogation against the other party, its affiliates, subsidiaries, assignees, officers, directors and employees.

21.5 Indemnification. In the event any party fails to maintain the required insurance coverage and a claim is made or suffered, such party shall indemnify and hold harmless the other parties from any and all claims for which the required insurance would have provided coverage.

## ARTICLE XXII

### MISCELLANEOUS

22.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and, unless otherwise provided in this Agreement, will be deemed to have been given when delivered in person or dispatched by electronic facsimile transfer (confirmed in writing by certified mail, concurrently dispatched) or one business day after having been dispatched for next-day delivery by a nationally-recognized overnight courier service to the appropriate party at the address specified below:

(a) If to the Buyers, to:

Northern New England Telephone Operations Inc.  
c/o Verizon Communications Inc.  
One Verizon Way, VC22E202  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2172  
Attn: Stephen E. Smith  
Vice President

With a copy (which shall not constitute notice) to:

Dale R. Chamberlain  
Assistant General Counsel  
Verizon Communications Inc.  
One Verizon Way, VC 54S403  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2068

and

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022

Facsimile: (212) 909-6836  
Attn: Kevin M. Schmidt

(b) If to the FairPoint or Surviving Corporation, to:

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Peter G. Nixon  
Chief Operating Officer

and

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimilie: 704.344.1594  
Attn: Shirley J. Linn  
Executive Vice President and General Counsel

With a copy to (which shall not constitute notice):

Paul, Hastings, Janofsky & Walker LLP  
75 East 55th Street  
New York, NY 10022  
Facsimile No.: (212) 230-7700  
Attn: Thomas E. Kruger

(c) If to Supplier, to:

Verizon Information Technologies LLC  
c/o Verizon Communications Inc.  
One Verizon Way, VC22E202  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2172  
Attn: Stephen E. Smith  
Vice President

With a copy (which shall not constitute notice) to:

Dale R. Chamberlain  
Assistant General Counsel  
Verizon Communications Inc.



One Verizon Way, VC 54S403  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2068

and

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022  
Facsimile: (212) 909-6836  
Attn: Kevin M. Schmidt

or to such other address or addresses as such party may, from time to time, designate by like notice.

22.2 Assignment; Exclusivity. The Buyers, FairPoint, Surviving Corporation and their Affiliates shall not assign any of their rights or obligations under this Agreement (by assignment, operation of law, merger or otherwise) without the prior written consent of Supplier, which may be withheld in its sole discretion, and any such prohibited assignment shall be null and void; provided, however, that (i) Buyers and FairPoint may, without the consent of Supplier, (A) assign any of their rights and obligations, in whole or in part, hereunder to any Affiliate of Buyers controlled, directly or indirectly, by FairPoint (it being agreed that any such assignment shall not relieve Buyers or FairPoint from their respective obligations hereunder) and (B) collaterally assign, in whole or in part, any of their rights hereunder as security to one or more lenders; provided that such lenders agree to the terms and conditions of this Agreement. The Supplier may assign any of its rights and obligations to an Affiliate or Affiliates of Supplier without the consent of Buyers, FairPoint or Surviving Corporation (it being agreed that, any such assignment shall not relieve Supplier of its obligations hereunder). This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their respective permitted successors and assigns.

22.3 Amendments. This Agreement may be amended or modified only by a subsequent writing signed by authorized representatives of all parties.

22.4 Headings/Captions. The headings and captions set forth in this Agreement are for convenience only and shall not be considered as part of this Agreement nor as in any way limiting or amplifying the terms and provisions hereof.

22.5 Entire Agreement. This Agreement (together with its Schedules), the Distribution Agreement and the Merger Agreement supersede and revoke any prior

discussions and representations, other agreements, term sheets, commitments, arrangements or understandings of any sort whatsoever, whether written or oral, that may have been made or entered into by the parties relating to the matters contemplated hereby; provided, that if there is a conflict between the provisions of the Distribution Agreement, the Merger Agreement and this Agreement, the provisions of this Agreement shall govern and control.

22.6 Waiver. Except as otherwise expressly provided in this Agreement, neither the failure nor any delay on the part of any party to exercise any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise or waiver of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege available to each party at law or in equity.

22.7 Counterparts. This Agreement may be executed in one or more counterparts, any or all of which shall constitute one and the same instrument.

22.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (except that no effect shall be given to any conflicts of law principles of the State of New York that would require the application of the laws of any other jurisdiction). The parties irrevocably submit to the exclusive jurisdiction of any New York State Court or any Federal Court located in the borough of Manhattan in the City of New York for purposes of any suit, action or other proceeding to enforce the provisions of Article XIX or any arbitration award under Article XIX. The parties agree that service of process, summons or notice or document by U.S. registered mail to such party's respective address set forth in Section 21.1 shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. **THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER AGREEMENT ENTERED INTO IN CONNECTION THEREWITH AND FOR ANY COUNTERCLAIM WITH RESPECT THERETO.** In the event of any breach of the provisions of this Agreement, the non-breaching party shall be entitled to seek equitable relief, including in the form of injunctions and orders for specific performance, where the applicable legal standards for such relief in such courts are met, in addition to all other remedies available to the non-breaching party with respect thereto at law or in equity.

22.9 Further Assurances. From time to time after the Closing Date, as and when requested by one of the parties, the other parties will use their commercially reasonable efforts to execute and deliver, or cause to be executed and delivered, all such documents and instruments as may be reasonably necessary or appropriate, in the reasonable opinion of counsel for Supplier and the Buyers, to provide or receive the services or perform the obligations contemplated by this Agreement.

22.10 Severability. If any provision of this Agreement is determined to be invalid, illegal or unenforceable by any Governmental Authority, the remaining provisions of this Agreement to the extent permitted by law shall remain in full force and effect provided that the essential terms and conditions of this Agreement for both parties remain valid, binding and enforceable and provided that the economic and legal substance of the transactions contemplated is not affected in any manner materially adverse to any party. In the event of any such determination, the parties agree to negotiate in good faith to modify this Agreement to fulfill, as closely as possible, the original intents and purposes hereof. To the extent permitted by law, the parties hereby to the same extent waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

22.11 No Third-Party Beneficiary. Nothing herein expressed or implied is intended to confer upon any Person, other than the parties and their respective permitted assignees, any right, obligations or liabilities under or by reason of this Agreement; provided however, that notwithstanding the foregoing, each subsidiary of the Surviving Corporation which engages in the Spinco Business as conducted on the Closing Date as a successor to one or more of the Contributing Companies in whole or in part is an intended third-party beneficiary.

22.12 Independent Contractor. The parties hereto understand and agree that this Agreement does not make any of them an agent or legal representative of any other for any purpose whatever. No party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of any other party or to bind any other party in any manner whatsoever. The parties expressly acknowledge (i) that Supplier and its Affiliates are independent contractors with respect to the Buyers and their Affiliates in all respects, including, without limitation, the provision of Transition Services and (ii) the parties are not partners, joint venturers, employees or agents of or with each other.

22.13 Governing Provisions. To the extent that any of the provisions, terms or conditions set forth in this Agreement are inconsistent or conflict with any specific provisions or descriptions set forth in any Schedule to this Agreement, the provisions of

the Schedule shall govern and control, provided, that if the provisions of any Schedule are inconsistent with the provisions of Section 3.1 or 3.2 of this Agreement, then Section 3.1 or 3.2 shall control. If the provisions of the “General Provisions and Select Definitions” of the Schedule A, Schedule C and Schedule D, are inconsistent with or conflict with any specific Transition Service description subsection of Schedule A, Schedule C or Schedule D, then such “General Provisions and Select Definitions” shall control.

22.14 Force Majeure. If performance of any Transition Service or other obligation under this Agreement is prevented, restricted, interrupted or interfered with by reason of acts of God, wars, revolution, civil commotion, acts of public enemy, embargo, acts of government in its sovereign capacity, labor difficulties, including, without limitation, strikes, slowdowns, picketing or boycotts, communication line failures, power failures, or any other circumstances beyond the reasonable control and not involving any willful misconduct or gross negligence of the party seeking relief under this Section 21.14 or its Affiliates (each, a “Force Majeure Event”), such party upon giving prompt notice to the other, shall be excused from such performance on a day-to-day basis during the continuance of such prevention, restriction or interference, provided, however, that such party shall use its commercially reasonable efforts to avoid or remove such causes of nonperformance and shall proceed immediately with the performance of its obligations under this Agreement whenever such causes are removed or cease; provided further, however, that, except as provided in Article XIV, in no event shall any of the foregoing result in an extension of the term of this Agreement. Without limiting the generality of the foregoing, Supplier shall make available to FairPoint and Buyers any business continuity and disaster recovery services that Supplier has in place for its own operations on an equal basis as Supplier makes such business continuity and disaster recovery services available to its own operations similarly affected by such Force Majeure Event. Notwithstanding the foregoing, if Supplier’s performance is excused by a Force Majeure Event, and Supplier fails to resume full performance of all its obligations hereunder within 10 business days of the onset of the Force Majeure Event, the Buyers or FairPoint may terminate this Agreement without penalty or other liability whatsoever (other than for Transition Services previously rendered), in whole or in part, immediately upon written notice to Supplier. Furthermore, if either party does not perform any of its obligations hereunder as a result of a Force Majeure Event, and the other party’s performance of its obligations hereunder are conditioned upon the first party’s performance, then notwithstanding anything in this Agreement to the contrary, the party’s performance will be excused until such time as the first party has performed those obligations prevented by the Force Majeure Event.

22.15 Confidentiality. For all purposes of this Section 22.15, Confidential Information of Buyers shall be deemed Confidential Information of FairPoint, and Confidential Information of FairPoint shall be deemed Confidential Information of

Buyers. For purposes of this Agreement, Confidential Information of Buyers/FairPoint shall mean (i) the Customer Data (as that term is defined in the Intellectual Property Agreement) and any updates thereto provided by Buyers or FairPoint to Supplier or any of its Affiliates pursuant to this Agreement, (ii) non-public, non-technical information based on Customer Data created by Supplier in the performance of Transition Services pursuant to this Agreement, and (iii) non-public, non-technical business information related to Cutover as disclosed by Buyer or FairPoint pursuant to Section 4.1. For purposes of this Agreement, Confidential Information of Supplier shall mean (i) Licensed Intellectual Property, (ii) any technical information provided to Buyer or FairPoint or any of their Affiliates by Supplier or any of its Affiliates pursuant to this Agreement, and (iii) any information provided to Buyer, FairPoint or any of their Affiliates or contractors by Supplier or any of its Affiliates pursuant to Section 4.1, including, but not limited to, technical information, data formats, software, documentation, and software scripts.

(a) Obligations

FairPoint and Supplier will each refrain from disclosure of Confidential Information of the other party to any Person not authorized by the other party and will use the Confidential Information of the other party solely for the performance of or use of Transition Services; it being understood and agreed that each party will use the same level of care (including both facility physical security and electronic security) to prevent unauthorized disclosure and/or use by third parties of the Confidential Information of the other party as it employs to avoid unauthorized disclosure or use of its own information of a similar nature, but in no event less than a reasonable standard of care.

Notwithstanding the foregoing obligations (but subject to compliance with law) the parties may disclose to and permit use of the Confidential Information of the other party by their respective legal counsel, auditors, contractors and subcontractors where: (i) such disclosure and use is reasonably necessary; and (ii) such auditors, contractors and subcontractors are bound by obligations of confidentiality, non-disclosure and other terms as restrictive in scope as those set forth in this Section 22.15.

(b) Exclusions

Notwithstanding the foregoing, this Section 22.15 shall not apply to any information which Supplier or FairPoint can demonstrate was or is: (a) at the time of disclosure to it, in the public domain; (b) after disclosure to it, published or otherwise becomes part of the public domain through no fault of the receiving party; (c) received after disclosure to it from a third party, who had a lawful right to and, without a breach of duty owed to the disclosing party, without any restriction on use or disclosure; or (d) independently developed by or for the receiving party without reference to or use of the Confidential

Information of the disclosing party. Further, either party may disclose the other party's Confidential Information to the extent required by law or order of a court or governmental agency. However, in the event of disclosure pursuant to an order of a court or governmental agency, and subject to compliance with law or such order of a court or governmental agency, the recipient of such Confidential Information shall give the disclosing party prompt notice to permit the disclosing party an opportunity, if available, to obtain a protective order or otherwise protect the confidentiality of such information, all at the disclosing party's cost and expense.

(c) Ownership

All Confidential Information of a party or a designated group shall remain the exclusive property of the disclosing party and the disclosure shall not grant any express or implied interest in the other party or its subcontractors to such Confidential Information. Upon written request by a party at any time and without regard to the default status of the parties under this Agreement, the other party shall promptly return to the disclosing party the Confidential Information in the format as it exists on the date of the request.

(d) Loss of or Unauthorized Access to Confidential Information

Each of Supplier and FairPoint shall promptly notify the other party in writing if it becomes aware of any disclosure or use in violation of this Agreement of the other party's Confidential Information that is in such party's or an Affiliate's or subcontractor's possession.

(e) Data Privacy

FairPoint shall be and remain the controller of Confidential Information of the Buyer for purposes of all applicable laws relating to data privacy, personal data, transborder data flow and data protection (collectively, the "Privacy Laws"), with rights to determine the purposes for which Confidential Information of Buyer is processed, and nothing in this Agreement will restrict or limit in any way FairPoint's rights or obligations as owner and/or controller of Confidential Information of Buyer for such purposes.

(f) Limitation

The obligations of this Section 22.15 (a) will apply after the Effective Date to any Confidential Information disclosed to the receiving party after the Effective Date and (b) will continue and must be maintained with respect to Confidential Information for a period: (i) in the case of Personally Identifiable Information or software (including software scripts and data formats), in perpetuity, and (ii) in the case of all other Confidential Information, except as otherwise set forth in the Merger Agreement, the Distribution Agreement or Intellectual Property Agreement, for a period of [ten] years from receipt.

Personally Identifiable Information means personally identifiable information included in Customer Data. Personally Identifiable Information may include social security numbers, personal credit histories, personal financial information and employment records.

IN WITNESS WHEREOF, the parties, acting through their duly authorized representatives, have caused this Agreement to be duly executed and delivered as of the date first above written.

**VERIZON INFORMATION  
TECHNOLOGIES LLC.**

By: \_\_\_\_\_  
Name:  
Title:

**FAIRPOINT COMMUNICATIONS,  
INC.**

By: \_\_\_\_\_  
Name:  
Title:

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

By: \_\_\_\_\_  
Name:  
Title:

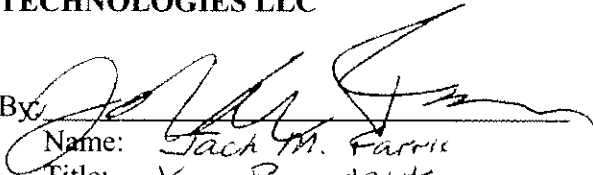
**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**



By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties, acting through their duly authorized representatives, have caused this Agreement to be duly executed and delivered as of the date first above written.

**VERIZON INFORMATION  
TECHNOLOGIES LLC**

By:   
Name: *Jack M. Farris*  
Title: *Vice President*

**FAIRPOINT COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

IN WITNESS WHEREOF, the parties, acting through their duly authorized representatives, have caused this Agreement to be duly executed and delivered as of the date first above written.

**VERIZON INFORMATION  
TECHNOLOGIES LLC**

By: \_\_\_\_\_  
Name:  
Title:

**FAIRPOINT COMMUNICATIONS, INC.**

By:  \_\_\_\_\_  
Name:  
Title:

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**

By: \_\_\_\_\_  
Name: Stephen E. Smith  
Title: Vice President

IN WITNESS WHEREOF, the parties, acting through their duly authorized representatives, have caused this Agreement to be duly executed and delivered as of the date first above written.

**VERIZON INFORMATION  
TECHNOLOGIES LLC**

By: \_\_\_\_\_  
Name:  
Title:

**FAIRPOINT COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name:  
Title:

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

By: Stephen E. Smith  
Name: Stephen E. Smith  
Title: Vice President

**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**

By: Stephen E. Smith  
Name: Stephen E. Smith  
Title: Vice President

# **SCHEDULE A**

GENERAL PROVISIONS AND SELECT DEFINITIONS .....	5
CORP.BD.1 Transition Services Administration .....	7
CORP.ACCT.1 Accounting Services .....	8
CORP.HR.1 Employee Services.....	11
CORP.HR.2 Compensation Administration .....	12
CORP.HR.3 Leaves Of Absence Administration.....	16
CORP.HR.4 Disability Administration .....	18
CORP.REG.1 Regulatory Accounting.....	22
CORP.REG.2 Tariffs Support .....	23
CORP.TAX.1 Transaction Tax Preparation Services.....	25
CORP.TAX.2 Property Tax Accounting Services.....	26
CORP.FIN.1 Local Interconnection Billing Operations (LIBO).....	27
CORP.FIN.2 Independent Telephone Company Settlement (ITCS) Process Services .....	28
CORP.FIN.3 Billing & Collection Operational And Settlement Process Services .....	30
ENG.COE.1 Message Trunk Network Services and Provisioning.....	31
ENG.COE.2 Central Office Equipment Procurement and Design .....	32
ENG.COE.3 Customer Network Engineering .....	33
ENG.COE.4 Switch, Tandem, And Voice Messaging Engineering And Planning.....	34
ENG.COE.5 Miscellaneous Engineering Support Services .....	35
ENG.INV.1 Miscellaneous Engineering Inventory Services .....	36
ENG.INV.2 Engineering Systems Support Services .....	37
ENG.PLN.1 Network Planning Services .....	39
ENG.OTH.1 Customer Network Engineering .....	43
ENG.OTH.2 Database Management Services (DBMS).....	44
ENG.OTH.3 Build Requests Control Center (BRCC) .....	45
ENG.OTH.4 Inter-Office Facilities (IOF) Engineering Provisioning .....	46
ENG.OTH.5 SS7 and E911 Circuit Diversity Analysis and Synchronization Engineering .....	47
ESG.SYS.1 Enterprise Solutions Group (ESG) Support.....	48
NET.NPC.1 Circuit Provisioning Services.....	50
NET.NPC.2 Data Network Creation.....	51
NET.NPC.3 Voice Network Creation Services .....	52

NET.NPC.4 Winback Coordination (WCC) Services .....	53
NET.SMT.1 Network Maintenance Operations Center (NMOC) Services .....	54
NET.SMT.2 Network Maintenance Center Services.....	56
NET.SMT.3 Transport Tier II Technical Support .....	57
NET.SMT.4 Switching Tier II.....	58
NET.SMT.5 Power Tier II Technical Support .....	60
NET.SMT.6 IP Networks Tier II Technical Support.....	61
NET.SMT.7 Broadband Tier II Technical Support .....	63
NET.SMT.8 Management Networks Support and Management.....	65
NET.SMT.9 Network Services Management Services .....	66
NET.SYS.1 Network Systems Administration.....	67
NET.SYS.2 Central Office Field Operations Support.....	69
ROPS.FSC.1 Fiber Solution Center (FSC) Services .....	70
ROPS.VRRC.1 Repair Resolution Center.....	71
ROPS.NCC.1 Network Control Center (NCC) .....	72
ROPS.NTC.1 Network Transport Center Services.....	73
PAOS.CCI.1 Customer Measurement Services (CMS).....	74
PAOS.CCI.2 Customer Advocacy Operations .....	75
PAOS.PAS.1 Process Assurance And Support .....	76
PAOS.SVS.1 Service Assurance Support.....	77
PAOS.SAS.1 Sales Assurance and Support .....	80
PAOS.SYS.1 Systems Assurance and Support .....	82
RET.LVS.1 Livesource Operator Services.....	83
RET.MKT.1 Voice Product Management & Development .....	85
RET.MKT.2 Business Services Group Support Service .....	86
RET.PUB.1 Per Call Compensation (PCC) Administration.....	87
RET.PUB.2 Pubcom Commission Check Production Service.....	88
RET.PUB.3 Pubcom Retail Customer Service.....	89
RET.PUB.4 Pubcom Dispatch Service.....	90
RET.PUB.5 Pubcom Coin Counting Service .....	91
RET.PUB.6 Customer Contact Center Service .....	92

RET.PUB.7 Smart Set Management Service.....	93
VPS.SR.1 Wholesale Service Requests .....	94
VPS.DB.1 LNP, 8XX, SS7 Database Services.....	97
VSO.FO.1 Payroll and Time Reporting.....	100
VSO.FO.2 Accounts Payable.....	104
VSO.FO.3 Customer Billing Operations .....	106
VSO.FO.4 Special Projects Billing & Claims Processing Services .....	107
VSO.FO.5 Remittance Processing Service.....	108
VSO.FO.6 Emittance Payment Processing Service.....	110
VSO.FO.7 Return Check Processing Services .....	111
VSO.FO.8 Bill Print And Distribution Center.....	112
VSO.SUP.1 Fleet Support Center Services .....	113
VSO.RE.1 Centralized And Portfolio Management Services .....	114
VSO.RM.2 Live And Finals Collection Support.....	115
VSO.RM.3 Fraud Prevention.....	116
VSO.RM.4 Credit Screening .....	117
DSL.NET.1 DSL LEC Provisioning Fallout and Maintenance Support .....	118
IT.SYS.1 Information Technologies Support Services .....	119
IT.SYS.2 eWeb Intranet Services .....	120
IT.SYS.3 Customer Billing Operations .....	122



## SCHEDULE A

### **GENERAL PROVISIONS AND SELECT DEFINITIONS**

The following general provisions and definitions shall have application to all sections of Schedule A. If a specific Transition Service subsection of this Schedule contains a provision which conflicts with these General Provisions, the provisions in this subsection shall control.

**Headings and Captions:** The headings and captions set forth in this Schedule are for convenience only and shall not be considered as part of this Schedule nor as in any way limiting or amplifying the terms and provisions hereof.

**Use of Vendors:** To the extent that Supplier or its Affiliates engage any vendor to deliver any product or service in connection with provision of a Transition Service, Supplier may use the same vendors used on the Closing Date or Supplier may, in its discretion, substitute a new vendor.

To the extent Buyers are required pursuant to the provisions of this Schedule to engage any vendor in connection with any Transition Service, unless otherwise specifically stated in this Schedule, Buyers shall use the same Vendors which Supplier or its Affiliates used on the Closing Date, or Supplier's alternate vendor used thereafter as a result of a Conforming Change or a Service Modification. Buyers shall timely negotiate agreements with such vendor(s) such that vendor services shall commence on the Closing Date. Buyers shall be responsible for all fees and charges from its vendors, and such fees and charges are not included in the Service Fees. In the event that Buyers fail to timely engage a vendor, Supplier shall not provide any related Transition Service until such time as Buyers engage the proper vendor(s). There shall be no reduction in the Base Service Fee for any such Transition Service.

**Buyers Training:** Buyers agree, at its cost and expense, and at reasonable times and locations identified by Supplier, to make Buyers Employees or Other Employees, as applicable, available for Supplier (or Supplier's designated third-parties) for training with respect to Transition Services.

**[FairPoint] Training:** [FairPoint] at its cost and expense, and at reasonable times and locations identified by Supplier, to make Other Employees available for Supplier (or Supplier's designated third-parties) for training with respect to Transition Service ESG.SYS.1.

**Schedules:** Unless specifically indicated to the contrary in a subsection of this Schedule, Buyers agree that all data processing and service delivery shall be provided on the same schedules and at the same time of the day, month or year as Verizon New England or the Contributing Companies received or provided such data processing or services immediately prior to the Closing Date.

File, Data and Report Formats: Unless specifically indicated to the contrary in this Schedule, Buyers agree that all files, reports and other data structures and file and data transmission processes shall be the same as Verizon New England or the Contributing Companies received or provided immediately prior to the Closing Date.

The term "Buyers" means collectively Northern New England Telephone Operations Inc. and Newco II.

The term "existing" means existing on the Closing Date or existing on the date immediately after the completion of a Conforming Change or completion of a mutually agreed Service Modification.

The term "States" means Maine, New Hampshire and Vermont.

The term "Buyers Employees" means those employees defined as "[FairPoint] Employees" in the Employee Matters Agreement.

The term "Other Employees" means those employees of [FairPoint] before or after Closing, who are not "Buyers Employees" as defined in this Agreement.

The term "Verizon New England" means Verizon New England Inc.

The term "Customer" or "Customers" means customers of the Spinco Business prior to or after Closing, but shall not include any other customers of [FairPoint] or its Affiliates (including customers transferred to any successor of any Contributing Company engaged in the Spinco Business from [FairPoint] or its other Affiliates).

The term "NNETO" means Northern New England Telephone Operations Inc.

## **CORP.BD.1 Transition Services Administration**

### **DESCRIPTION**

Supplier will administer the Transition Services delivery to Buyers primarily by performing the activities described below:

1. Coordinate and plan for implementation of the Transition Services Agreement (TSA).
2. Issue monthly invoice for all Transition Services to Buyers.
3. Investigate any billing disputes for Transition Services.
4. Maintain proper supporting documentation for invoices issued.
5. Provide Buyers with written Conforming Change notification.
6. Provide Buyers with a Single Point of Contact (SPOC) to perform the required responsibilities.
7. Act as the primary liaison for potential TSA dispute resolutions.
8. Coordinate, plan, and attend meetings with the TSA Subject Matter Experts (SME).

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

### **CORP.ACCT.1 Accounting Services**

***NOTE: This service is provided only for the local exchange telephone business of NNETO, and does not provide any transition support to any other portions of the Spinco Business.***

#### **DESCRIPTION**

Supplier will provide NNETO:

1. Financial accounting services:
  - a. Preparation of monthly GAAP based Income Statement, Balance Sheet, Cash Flow Statement and certain Balance Sheet account reconciliations. Financial statements will not be audited by an independent accounting firm.
  - b. Financial Statements shall be released to NNETO eight days (8) after Supplier's accounting period close.
  - c. Balance Sheet account reconciliations shall be released to NNETO forty-five days (45) after accounting period close.
  - d. Maintain and balance the SAP labor and materials distribution process within the SAP General Ledger system. Prepare related monthly adjusting entries in the SAP General Ledger.
2. Revenue and receivables accounting services:
  - a. Record interface billing system files in the SAP General ledger.
  - b. Provide revenue and associated Accounts Receivable analysis.
  - c. Provide uncollectible analysis and uncollectible accounting accrual consistent with existing methodology.
  - d. Provide revenue related Balance Sheet account reconciliations, to the NNETO 45 days after the close of the accounting period.
3. Asset and inventory accounting services:
  - a. Perform monthly settlement process in SAP.
  - b. Book, review, monitor and maintain processes and systems necessary to record monthly assets additions, depreciation reserve and expense.
  - c. Process network retirements and transfers through the Central Office Engineering Property (COEP) interface and the VBuild interface into SAP.
  - d. Monitor the inventory activity and review unusual fluctuations.
  - e. Track/process retirements of land, building and support assets.
  - f. Process transfers of assets between locations or accounts.
  - g. Manage the recording of joint pole ownership activity.
  - h. Maintain required SAP tables.

- i. Process records for sales of assets.
- j. Prepare and analyze reserve exception reports.
- k. Prepare account reconciliations and identify required corrections for all in-service, under construction, inventory, and reserve accounts.
- l. Provide capital expenditure data.
- m. Materials and provisioning clearances.
- n. Review of suspended projects and Engineering Planned Order (EPO) clearances.
- o. Update theoretical reserve ratios.
- p. Pricing Outside Plant (OSP) asset records using the RUC process.
- q. Provide data required for Federal Tax and Property Tax reporting.
- r. Provide financial data for insurance valuation purposes.
- s. Prepare plant, reserve and depreciation ARMIS reports.
- t. Depreciation studies and required rate changes.

4. Cost accounting services:

Supplier will provide the cost accounting services listed below. All reports, data, regulatory filings and supporting documentations are limited to the NNETO Business operating in the States.

- a. Development of Part 64 and ARMIS reports for regulatory reporting to the Federal Communications Commission (FCC) and the NNETO regulatory accounting group for intrastate reporting
- b. Supplier will extract data from its then existing accounting systems and process Part 64 studies to develop regulated and non-regulated costs, using then existing methods and systems.
- c. Supplier will maintain Part 36, Part 69 and ARMIS system logic based on then existing FCC rules and regulations for the ARMIS 43-01, 43-03, 43-04, 492A, 495A and 495B reports.
- d. Supplier will process Part 64, Part 36 and Part 69 data through ARMIS logic.
- e. Supplier will prepare ARMIS 43-01, 43-03, 43-04, 492A, 495A and 495B reports and provide to NNETO for filing with the FCC.
- f. Supplier will provide standard intrastate output data to the NNETO regulatory accounting group for use in intrastate reporting.
- g. Suppliers will prepare the quarterly 499Q's and annual 499A report and provide to NNETO for filing with USAC.
- h. Supplier will prepare the annual NECA USF Data Collection Forms and supporting documentation and provide to NNETO for filing with NECA.
- i. Supplier will prepare the quarterly industry MOU Data and supporting documentation and provide to NNETO for input into the online NECA website.

5. Universal Service & School and Library Support Services
  - a. Supplier will develop file of supporting data for the Universal Service Fund regulatory reporting as required by the Federal Communications Commission (FCC) rules and Universal Service Administration Corporation (USAC) procedures. Supplier will process and file all data as required to monitor and process claims for the School and Library program administered by USAC.
  - b. Supplier will extract data from its legacy accounting and billing systems using existing methods & systems and prepare the following for submission:
    - I. Quarterly Wire Center Message Loop Filing - Provides quarterly wire center message loop counts for use in the FCC proxy model.
    - II. CALLS Interstate Access Filing - Provides quarterly access line counts used to determine Interstate Access Support.
    - III. FCC Form 477 Local Competition and Broadband Report filing.
  - c. Supplier will process the BEAR check reimbursement process for eligible schools and libraries in the States.
  - d. Supplier will invoice the Schools and Library Division ("SLD") to recover discounts for eligible telecom services provided to eligible schools and libraries in the States.
  - e. Supplier will gather and provide any additional data requested by the SLD to support invoices for reimbursement.
  - f. Supplier will file Form 497 to recover the Federal Lifeline/Link-Up support provided to eligible NNETO low-income Customers.
  - g. Supplier will develop the amount of the FUSF surcharge for recovery of amounts paid into USAC for federal universal service relative to the NNETO revenues.
  - h. Supplier will process and submit payments via NNETO account, and implement all necessary billing changes for the Federal and State surcharges, E911, TRS, and State Universal Service Funds.

#### **ADDITIONAL REQUIREMENTS**

1. Financial, asset and inventory accounting service requirements consist primarily of:
  - a. Buyers will not have direct access to any of Supplier's accounting or subsidiary ledger systems.
  - b. End financial statements will be the responsibility of the Buyers.
  - c. Any manual journal entries from the NNETO to be recorded in Supplier's accounting system shall be provided to Supplier in accordance with Supplier's existing closing schedule. NNETO will maintain all supporting documentation of manual journal entries.
2. Cost accounting service requirements:
  - a. NNETO will provide Supplier with information and data required for Supplier to perform the services described above.
  - b. NNETO will file its own Cost Allocation Manual (CAM) with the FCC. The NNETO' CAM shall be the same as the Supplier's most recent version filed with the FCC. Failure to file the same CAM will result in the termination of the accounting services.

**NOTE: These services are provided only for the local exchange telephone business of NNETO, and do not provide any transition support to any other portions of the Spinco Business.**

### **CORP.HR.1 Employee Services**

#### **DESCRIPTION**

Supplier will process and input changes for NNETO Employees into the payroll system, consisting primarily of the following transactions related to hiring, terminations, or internal movement and changes:

Associate Banked Vacation Maintenance	Company Transfer
Date of Birth Change	Date of Death Change
Death	Demotion (pay or job title change)
Dismissal	Employee Reclassification
General Wage Increase	Home Address Change
Lateral (pay or job title change)	Leave of Absence
Mail Drop Change	Merits
Name Change	New Hire
Pay Rate Change	Progressive Wage Increase
Promotion	Rehire
Resignation	Return from Leave
Scheduled Hours Change	Termination
TPA	Union Dues Maintenance
VIP	Work location Change
Work phone Change	
Department ID Change	
Education	
Emergency Contact change	
Gender/Ethnic Change	

#### **ADDITIONAL REQUIREMENTS**

NNETO is responsible for providing all information and data required for Supplier to perform the Employee Service Center services listed above.

## **CORP.HR.2 Compensation Administration**

### **DESCRIPTION**

Supplier will provide the following five (5) compensation related services to Buyers to enable the development of a competitive compensation program:

#### **A. Job Classification Program**

Supplier will continue to provide support to Buyers for Job Classification needs including existing and new positions. These include Job Descriptions, Job Evaluations and Job Code/Pay Range Assignment. Supplier shall:

1. Accept new job codes and pay ranges and enter them into tables.
2. Post profiles to Career System.
3. Maintain all Job Code/Pay Range tables in existing system.

#### **B. Marketing Pricing Program**

Supplier will continue to provide support to Buyers for benchmarking competitive market practices thru salary survey participation and development of pay ranges. Supplier shall continue to partner with Buyers Compensation for the development of Buyers -specific Sales pay ranges. Supplier shall:

1. Provide the 2008 General Management/Executive pay ranges (Bands 5V and below, All Pay Areas) to Buyers by mid December 2007.
2. Provide on an ad hoc basis - market data for new jobs created in their organization.
3. Load Buyers Sales Position ranges into appropriate systems (PeopleSoft/MCPS/VerizonCareer).

#### **C. MCPS - Performance Assessments/ Annual Salary Planning Programs (Merit And Sti/Vip)**

Supplier will continue to allow Buyers use of the MCPS System for the planning and administration of Buyers 2008 Salary Planning Programs. Supplier shall:

1. Provide Executive and General Management 2008 merit planning schedule and process information to Buyers.
2. Load/Refresh Buyers Employee Data and hierarchy data in MCPS.
3. Grant security access to Field Users for performance rating and merit increase/STI planning.
4. Grant security full-range access to Buyers Compensation for analysis, reporting, and pay administration.
5. Provide a modeling template loaded with Buyers employee data for Buyers modeling.
6. Load Buyers sales MRRs into appropriate systems.



7. Load merit/STI matrices into MCPS system.
8. Provide MCPS System training to Buyers.
9. Include Buyers compensation in the CPOC (Compensation Point of Contact) sessions.
10. Provide Supplier 2008 communication material to Buyers.
11. Provide employee communication sheets either through the portal or MCPS.
12. Provide data input file to payroll for processing.

#### **D. Discretionary Awards (DRAS) (Executive/General Management)**

Supplier shall continue to allow Buyers to use the PeopleSoft HR module for processing Discretionary Awards. Supplier shall

1. Maintain VRS system and business rules (eligibility; maximum annual awards)..
2. Provide Buyers access to DRA Award data for Buyers transactions.
3. Load budget.
4. Feed DRA awards to payroll.
5. Ad hoc administrative support to answer Buyers compensation analyst questions, investigate issues, etc. about Buyers data or employees.

#### **E. Compensation - General Management**

As described more fully below, Supplier will continue to provide support to Buyers for all system(s) administration of negotiated labor agreements. PeopleSoft (or equivalent) wage tables, progression and general increase administration, annual performance bonus payouts, (e.g. CPS) and related current and historical payroll transactions. Supplier shall provide the following in regards to the Corporate Profit Sharing (CPS):

1. Provide the Eligibility and Leave of Absence (LOA) files of all CPS eligible associates to Buyers for review. The Eligibility files are provided in separate excel spreadsheets in December and one excel file for LOA in January.
2. "Fallout Report" - Supplier will provide a "Fallout," or error, report for Buyers to review any associates who may not have loaded correctly. Corrections will be coordinated through the Compensation Delivery team.
3. Provide CPS Buyers payout accuracy reports for the Buyers team to review for payout accuracy, etc.
4. Ad hoc administrative support to answer questions, investigate issues etc. to Buyers compensation team regarding system manipulation of Buyers data and employees.

### **ADDITIONAL REQUIREMENTS**

#### **A. Job Classification Program**

Buyers shall:

1. Write and evaluate new Buyers' position descriptions.
2. Determine appropriate Pay Band, Pay Range, and Pay Area.
3. Complete and forward required documentation to Supplier for new job code assignment.

**B. Marketing Pricing Program**

1. Buyers shall provide pay ranges for Buyers' sales positions in accordance with required Supplier system update deadlines.

**C. MCPS - Performance Assessments/ Annual Salary Planning Programs (Merit and STI.**

Buyers shall:

1. Provide merit matrix based on Supplier timelines for MCPS system.
2. Provide business unit rating for Short Term Incentive (STI) awards.
3. Data verification/clean up before spin (hierarchy; job code, pay area, status, etc).
4. Follow Supplier timelines, processes and procedures for Executive salary planning and for General Management salary planning.
5. Make manual changes to employee data in MCPS.
6. Provide Supplier names of Business Partners and Compensation employees to have access to MCPS.

**D. Discretionary Awards (DRAS) (Executive/General Management)**

Buyers shall:

1. Define budget.
2. Process individual DRAS thru the existing VRS (Verizon Recognition System) module.
3. Ensure OSS hierarchy is maintained.
4. Track organization budget against employee awards.

**E. Compensation - General Management**

Buyers shall:

1. Review the Eligibility and Leave of Absence files and determine the appropriate award amounts. Buyers will need to provide the 6 Eligibility files back to Supplier in the appropriate format for loading into the CPS system.
2. Participate on Communication time council meetings.
3. Identify and determine any award amounts for any manual exceptions.
4. Communicate CPS program with Employees and answer Employee questions. Wage Tables, Progression and General Increase Administration:

**ADDITIONAL REQUIREMENTS**

Buyers must enter into vendor contracts with each vendor identified in this Schedule A. Failure to have all vendor relationships effective on the Closing Date of the Merger may result in discontinuance of Schedule A services. Any change in vendors or vendor services during the term of Schedule A services may result in either discontinuation of Schedule C Services or additional charges for services rendered to develop and maintain new vendor data feeds of electronic interfaces. Charges for services of these vendors will be billed directly to Buyers.

### **CORP.HR.3 Leaves Of Absence Administration**

#### **DESCRIPTION**

Verizon's Absence Administration Department monitors and manages all Leaves of Absences (LOAs)

Supplier shall::

1. Process all absences for FMLA potential application.
2. Send appropriate initial letters and forms to employees.
3. Review all FMLA Certification Form submissions per DOL regulations.
4. Process all Administrative Reviews (employee appeals).
5. Research and answer all union escalations.
6. Research and answer all DOL complaints.
7. Research Suspicious Patterns of Absence (SPOA) escalations from field and require employees to recertify if appropriate.
8. Provide communications to both employees at home and supervisor/absence administrator via email.
9. System service monitoring of outages.
10. Manage integration between FMLA team and WC/Disability Vendor (MetLife).
11. Track and manage employee's exceeding frequency and duration (including notifying employees of recertification process).
12. Consult with and provide information to Buyers or Supplier (HR, Labor Relations / Legal) on exception complaints, claims, and appeals.
13. Other LOA management:
  - a. Process all LOA requests.
  - b. Provide communications to both employee at home and supervisor/absence administrator via email regarding status of leave.
  - c. Track all LOA requests.
  - d. Research and answer all employee/union escalations.
  - e. Consult with Corporate Benefits Design and Strategy about specific case interpretation and changes to LOA design (especially Military Leave).
  - f. Consult with and provide information to Buyers (HR, Labor Relations/Legal) on exception complaints, claims, and appeals.
14. AMTS (Absence Management Tracking System):
  - a. AMTS to continue to have canned absence reports for use by Buyers.
  - b. AMTS feeds information to FMLA/LOA teams.

- c. AMTS will track frequency/duration of FMLA absences and provide alerts to field management.
- d. AMTS will provide current attendance control plan support to field including discussion notes.

### **ADDITIONAL REQUIREMENTS**

Buyers' responsibility shall include:

1. Employees are responsible to report their absence/tardy to their supervisor or team absence coordinator.
2. Supervisor or team absence coordinator, must input absence/tardy into AMTS on first day of absence.
3. Supervisor or team absence coordinator must also input any "discussions" into AMTS.
4. Employee must complete required FMLA form in the timeframe provided to be considered for this leave.
5. Employee responsible to apply for other leaves available from company.
6. Employee management to review LOA requests and submit to Absence Administration leave of absence coordinators.
7. Buyers will be responsible to follow any new processes/systems implemented by Supplier.
8. Buyers will be responsible to communicate any new processes/systems implemented by Supplier.
9. Vendor selected by Buyers to perform Worker's Compensation (WC) duties will send weekly report to Verizon West FMLA team of any new WC claims. The Supplier FMLA team in turn will approve concurrent FMLA if :
  - a. Cases fall within 39 days from the first date of absence.
  - b. Employee is administratively eligible;
  - c. Employee has unused FMLA time remaining.

## **CORP.HR.4 Disability Administration**

### **DESCRIPTION**

Supplier shall monitor and manage all disability claims (STD/LTD) for Buyers' Employees. The Absence Administration team manages and monitors the current Plan administrator, MetLife.

Supplier shall provide the following administration services:

#### **Short Term Disability (STD)**

1. Open claims based on input from employees, their proxies or their field management.
2. Determine eligibility of employees to apply for STD (based on plan provisions, employee participation, and union contracts).
3. Reach out to eligible employees and their treating providers to obtain medical data.
4. Review all medical provided by employees and their treating health care providers.
5. Provide "advice to pay" to Supplier payroll for all claims that are approved for STD.
6. Meet performance expectations as stated in MetLife contract.
7. Provide timely and accurate communication on claim adjudication to impacted employees and their field management.
8. Participate in quarterly performance meetings with Verizon Absence Administration and Corporate Benefits Design and Strategy teams.
9. Provide quarterly trend analysis/reports for things such as: ICD-9 codes, duration of claims, ages of ppt, geographic locations etc.
10. Handle and respond to all Buyers or Supplier escalations (from ee's/supervisors/LR/unions and Legal).
11. Partner with Supplier/Buyers to support Fraud Process.
  - a. Conduct surveillance as needed.
  - b. Track SIU costs/savings.
12. Provide ad hoc reports.
13. Provide Supplier Legal/Labor Relations support for claims litigations or union arbitrations.
14. Provide Buyers Legal/Labor Relations support for claims litigations or union arbitrations.
15. Partner with selected Buyers Worker's Compensation Vendor for the following:
  - a. WC determines "accident disability vs. sickness disability" under the SADBP plans (this decision is made when WC compensability is being made) .
  - b. WC then sends this determination to the disability vendor, MetLife (so MetLife treats claim appropriately under the SADBP definitions).
  - c. WC and MetLife share Independent Medical Exam (IME) information with each other (as well as other medical information/surveillance tapes & reports etc.).

- d. WC determines if current claims need to be changed from "accident" to "sickness" delineation, and if so works with SUPPLIER Absence Administration and appropriate Legal department to craft a letter to go to the employee.
  - e. WC works with SUPPLIER Absence Administration to determine payroll discrepancies for employees receiving both WC and Disability payments.
16. Provide medical records to Unival and MCN for bargained for dispute processes.
  17. Provide update on STD approvals to FMLA team.
  18. Support Claims Review Committee (CRC) by providing medical records and consultation as needed.
  19. Partner with selected Buyers Occupational Health Vendor for the following:
    - a. If Threats of Violence are called into Occupational Health for an active STD claim in which an employee is on restrictions or MetLife is in process of returning employee back to work, MetLife may be contacted to schedule a Fitness for Duty (FFD).
    - b. Additionally, when an employee is sent home from work due to behavior which is believed to demonstrate mental disability (in the judgment of Occupational Health and/or MetLife), the employee can be certified for disability benefits for a short period of time (small increments, up to about 4 weeks) while it is determined whether the employee is under treatment, or getting the employee into treatment. In such cases, it will be Buyers (the supervisor or Occ Health) that initiates the claim, since the employee is denying disability and we have a good faith basis that the employee is disabled. During this period MetLife will work with Occupational Health/Verizon Absence Admin/Mgt Team to contact appropriate parties (Union, family member, health care provider) to initiate treatment. If, after this period of time, the employee does not seek treatment or otherwise become certified for benefits, and cannot demonstrate that he/she is able to return to the workplace, Buyers will make a determination regarding employment status.

### **Long Term Disability (LTD)**

1. Receive Feed from Hewitt regarding eligible LTD participants.
2. Use eligibility feed to determine which employees on STD are able to apply for LTD.
3. Contact employees to apply for LTD at the appropriate time per process/plan.
4. Ensure that all medical provided by employees and their treating health care providers meets criteria for LTD per plan language.
5. Calculate appropriate LTD payments including all appropriate offsets (i.e., WC, Pension Disability, SSDI).
6. Receive data feed from Buyers selected vendor on WC payments made to employees.
7. Meet Supplier performance expectations as stated in contract.
8. Provide timely and accurate communication on claim adjudication to impacted employees and their field management.
9. Participate in quarterly performance meetings with Supplier Absence Administration and Corporate Benefits Design and Strategy teams.

10. Provide quarterly trend analysis/reports for things such as: ICD-9 codes, ages of ppt, geographic locations etc.).
11. Partner with Buyers and Supplier to support Fraud Process.
  - a. Conduct surveillance as needed.
  - b. Track SIU costs/savings.
12. Provide Ad Hoc reports.
13. Provide Buyers and Supplier's Legal/Labor Relations support for claims litigations or union arbitrations.
14. Workers Compensation Vendor and MetLife share Independent Medical Exam (IME) information with each other (as well as other medical information/surveillance tapes & reports etc.).

### **ADDITIONAL REQUIREMENTS**

#### **Buyers are responsible to:**

The responsibilities of the Buyers will remain as they are today. Those responsibilities include, but are not limited to:

1. Employees shall report STD claims on a timely basis (no later than eight (8) calendar days from the start of an absence or per union contract).
2. Management/Supervisors provide a cooperative effort to return employees to work.
3. Provide MetLife any pertinent information about the employee's job duties or any observed concerns (i.e., employee seen riding a roller coaster while supposedly too ill to work their sedentary job).
4. Complete Fraud Summary as appropriate.
5. Provide POC in Buyers Security to handle Fraud complaints.
6. Establish cost center for all STD/LTD related costs (i.e., per participant fees, monthly claims management, Independent medical exams).
7. Determine if specific quarterly or ongoing disability reports are required for Buyers; this would need to be added to contracts with current disability vendors and costs negotiated.
8. Determine if participation in quarterly performance reviews is required.
9. Determine if Buyers Legal or Verizon Legal to handle current disability related arbitration/lawsuits.
10. Buyers is responsible for disability statutory filings.

#### **Supplier is responsible to:**

1. Manage Disability Vendor:
  - a. Define/Approve Change to SOW/contract as needed.



- b. Respond to Vendor inquiries.
  - c. Verify and process vendor invoices.
  - d. Investigate and respond to employee/union/field escalations.
  - e. Conduct vendor performance reviews.
  - f. Monitor vendor processes.
  - g. Customer service monitoring (e.g. system network, outages).
  - h. Manage integration between vendors (Hewitt /Metlife, Metlife/Sedgewick).
  - i. Work with Corporate Sourcing to ensure financial agreements/penalties are paid timely per contract.
  - j. Ensure vendor handles fraud cases appropriately.
2. Ensure process for DFCE/DIME and TMO are followed (per union contract). Costs to be borne by Buyers.
  3. Partner with Field, LR, Legal, Security, BPs and vendor on fraud process.
  4. Consult with Corporate Benefits Design and Strategy related to changes in Benefits Plan Design/Interpretation of past and current plan design/Trends/Issues.
  5. Consult with Corporate Benefits Design and Strategy on OCI data/reports.
  6. Consult with Buyers or Supplier (HR, Labor Relations/Legal) on exception complaints, claims, and appeals.
  7. Consult with Buyers as needed on administrative plan interpretations, administrative changes, historical practices in STD administration and resolution of escalated participant issues.
  8. Provide data research/trend analysis, normally billed to Supplier disability trust, if requested. If this service is provided post close, this will be billed directly to Buyers.
  9. Consult with Buyers on all escalated Fraud cases, as surveillance costs will be borne by Buyers.
  10. Handle record requests for Buyers and Verizon Labor and Legal.

**CORP.REG.1 Regulatory Accounting**

***NOTE: This service is provided only for the local exchange telephone business of NNETO, and does not provide any transition support to any other portions of the Spinco Business.***

**DESCRIPTION**

Supplier shall prepare monthly, quarterly and annual reports that are submitted to the Maine and New Hampshire Public Utilities Commissions and the Vermont Public Service Board provided that such reports are due within the Transition Period. For those reporting periods that extend beyond the term of the Transition Services, the Supplier will provide the data necessary for NNETO to complete the reports. NNETO shall be responsible to consolidate the data and file the reports.

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **CORP.REG.2 Tariffs Support**

***NOTE: This service is provided only for the local exchange telephone business of NNETO, and does not provide any transition support to any other portions of the Spinco Business.***

### **DESCRIPTION**

1. Supplier will prepare for submission to the Public Utilities Commission the tariff pages for each of the States as reasonably requested by NNETO for each of its requested tariff filings, including any special tariff filings, provided that such filings do not vary materially in number or complexity from the then existing monthly filings. Supplier will assist NNETO in the development of tariff filings and supporting correspondence to meet each of the States' requirements.
2. Supplier will provide electronic distribution of tariff filings upon notification from NNETO that the tariff is effective.
3. This service excludes the posting of tariffs or tariff filings on the Supplier's intranet or internet website during the transition period.
4. Supplier will analyze the service description and provide NNETO with an estimated completion date.
5. Supplier will develop and complete tariff filings based on the detailed service description delivered to Supplier by NNETO.
6. Supplier will work with the NNETO' regulatory and legal department to finalize the tariff filing.
7. Supplier will provide NNETO with a completed filing for submission to each of the States' Public Utilities Commission by NNETO.
8. Upon reasonable notice from NNETO, Supplier will distribute effective tariffs to distribution list of internal Employees established by NNETO.
9. Supplier will execute a simple name change in accordance with the tariffs as part of this service (e.g., Supplier will change the name on the tariff pages from the Supplier to the NNETO as tariff filings are made). Moderate and Complex name change requests are not offered in this service.
10. Supplier will provide NNETO copies of effective tariffs at the close of sale and at the end of the transition period.

### **ADDITIONAL REQUIREMENTS**

1. NNETO will provide Supplier with a detailed service description, rate elements and the requested effective date.
2. NNETO will review draft tariff filings and provide any changes to the Supplier in order to finalize the tariff filing.
3. NNETO will advise Supplier of tariff file and effective dates.

4. NNETO will be responsible for the posting of tariffs and tariff filings to its intranet and/or internet websites.
5. NNETO will be responsible for the content of all tariff filings.

### **CORP.TAX.1 Transaction Tax Preparation Services**

***NOTE: This service is provided only for the local exchange telephone business of NNETO, and does not provide any transition support to any other portions of the Spinco Business.***

#### **DESCRIPTION**

Supplier will perform transaction tax compliance and tax accounting services on behalf of NNETO for the regulated wireline business in the States on a monthly basis. The Supplier will:

1. Review Use Tax report.
2. Use the income statement to prepare the monthly General Excise Tax return on the last day of each month.
3. Request NNETO to make a monthly payment on the 10th of each month for the Public Service Company tax.
4. Prepare annual General Excise Tax and Public Service Company Tax Return.
5. Mail the returns to the state timely.
6. Request wire transfers from NNETO to pay the appropriate state.
7. Request wire transfers from NNETO to pay the IRS.
8. Prepare federal excise tax returns quarterly.
9. Supplier will work with the NNETO to clear up any denial of tax clearances.
10. Supplier will perform account reconciliations.
11. Supplier will request any stop payments, credits or refunds related to the tax returns.

#### **ADDITIONAL REQUIREMENTS**

1. Supplier shall not be obligated to make any payments on behalf of NNETO.
2. NNETO shall forward all tax-related correspondence to the Supplier Tax department at: One Verizon Way, VC 53 3 229, Basking Ridge, NJ 07920.
3. NNETO shall obtain all new exemption certificates from its exempt Customers made out to NNETO.
4. NNETO shall provide new tax exempt certificates to its new vendors.
5. NNETO shall provide Supplier with Power of Attorney to sign returns and handle other matters associated with the transaction tax returns.
6. NNETO shall provide state sales tax registration information as reasonable requested.

## **CORP.TAX.2 Property Tax Accounting Services**

***NOTE: This service is provided only for the local exchange telephone business of NNETO, and does not provide any transition support to any other portions of the Spinco Business.***

### **DESCRIPTION**

Supplier shall:

1. Receive and process all property tax invoices that have been previously approved by the designated NNETO manager and mailed to the Supplier's Tax Department in Coppell, Texas. Generally, property tax bills are due in the States at various times throughout the year, depending on jurisdiction. In addition, invoices are sent by state assessment officials for centrally-assessed property in Maine and Vermont, and are due, by statute, at various due dates.
2. File property tax returns in States, both at the local assessor and state assessor level, as required by statute or administrative practice.
3. Perform other property tax accounting services, primarily consisting of monthly accruals to NNETO books, Account Reconciliations and Accrual Analyses.
4. Provide a summary of property taxes to NNETO for NNETO' payment to the various States' counties.
5. The scope of this service is limited to the Owned Real Property of the Local Exchange Carrier business of NNETO.
6. Supplier will perform related account reconciliations.
7. Supplier will request any stop payments, credits or refunds related to the tax returns.
8. Supplier will work with NNETO to clear up any denial of tax clearances.
9. Supplier shall not be obligated to make any payments or disbursements on behalf of NNETO.

### **ADDITIONAL REQUIREMENTS**

1. NNETO shall forward all tax-related correspondence to the Supplier Tax department at: P.O. Box 152206, Irving, TX 75015-2206 or by physical address of 750 Canyon Drive, Mailcode SV1E5042, Coppell, TX 75019.

## **CORP.FIN.1 Local Interconnection Billing Operations (LIBO)**

### **DESCRIPTION**

Intercarrier Compensation represents charges Competitive Local Exchange Carriers (CLECs) bill Buyers for termination of calls that Buyers Customers make to CLEC customers. These charges reflect usage activity (the number of calls terminated) and facility activity (Buyers' use of the CLEC's facilities to terminate a call). Intercarrier Compensation charges represent the opposite of the local and access charges Buyers bill CLECs for usage and facility activity on Buyers' network.

Supplier will provide the following payable/claims management services:

1. Receive and enter invoices into the Reciprocal Compensation Database Application (RCDA).
2. Validate billing records.
3. Review billed rates against applicable tariffs or contracts - dispute as required.
4. Review billed quantities against Traffic Track, where available.
5. Monitor applicable tariffs, Interconnection Agreements (ICAs), and settlement agreements to ensure proper billing is being made.
6. Process invoices for payment mechanically through the Accounts Payable system.
7. Send dispute letters to CLEC as appropriate on behalf of Buyers.
8. Reconcile payments made by Buyers to those posted on CLECs invoices.
9. Work with CLECs to resolve open disputes where possible.
10. Assist Buyers with ongoing management of open disputes where appropriate.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **CORP.FIN.2 Independent Telephone Company Settlement (ITCS) Process Services**

### **DESCRIPTION**

Supplier shall provide inter-company net settlement services between existing Incumbent Local Exchanges Carriers (ILECs), commonly referred to as Independent Telephone Companies (ITCs), and Buyers. The monthly settlement process is foremost a manual system where the majority of the ITCs submit reports to Supplier. These reports are combined with internal data and used to develop monthly settlement statement and back-up documents. Services are performed jointly with the Customer Billing Operations (CBO) group. The Supplier will:

1. Process billed toll revenues (ITC originating direct dialed toll, operator handled and "800" type services) and special access charges and terminating switched access charges due to Buyers and switched and special access charges and B&C charges due the ITCs.
2. Process miscellaneous settlement billing and payment processes consisting primarily of local (Extended Area Service), Live Source services (Call Completion and Directory Assistance), and mandated service payments such as "500" interconnection services in Maine, and E911 payments.
3. Coordinate the Default Carrier Plan (DCP), which is used by the majority of the ITCs in the three states. The ITCs record, rate, bill, collect and remit to Buyers billed toll revenues for customers pre-selected to Buyers as their Intrastate (IntraLATA) toll provider.
4. Coordinate the ITCs that operate under Originating Responsibility Plan (ORP) where the ITCs act as the default toll carrier. The ITCs report both originating and terminating traffic to Buyers that is used to determine terminating switched access charges due to each party.
5. In addition, the inputs of call completion and directory assistance usage and charges are provided and developed into a billing statement via spreadsheets. Billing is provided by the Settlements group via linked spreadsheets on a monthly basis.
6. Other specialized or mandated payment or billing functions are provided by Settlements to the CBO to either bill or pay the ITCs or to post the appropriate journal entries.
7. Manage the Meet Point Billing (MPB) contract to insure that the Supplier receives the 3rd party billing services to bill Interexchange Carriers for MPB. Reports are developed by the vendor and used by the CBO to post the appropriate journal entries.
8. Supplier also provides all the ITCs with CAT 1101 and retail records on either a weekly or monthly basis via cartridge, CD or NDM (electronic) format.
9. ITC Settlements Group will continue to collect data from the ITCs with the objective that the monthly processing of the inter-company statements is not compromised.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will make payments to the ITCs when monthly net settlement statements indicate that such payments are due. Buyers will accept payments when the net settlement statements indicate that such payments are expected from the ITCs unless other arrangements are made.



2. Buyers are responsible to negotiate their own agreement with the MPB billing vendor. The estimated cost of the vendor is approximately \$7,000 per month.
3. Buyers will assume responsibility of interfacing with the MPB billing vendor (NYAB) to ensure billing and payments are collected from MPB customers and will adhere to the existing agreement for providing such services after the sale is completed.

## **CORP.FIN.3 Billing & Collection Operational And Settlement Process Services**

### **DESCRIPTION**

Supplier will perform Billing and Collection (B&C) services on behalf of Interexchange Carriers and other Service Providers (B&C Customers) under Billing Service Agreements (BSA), more commonly known as a B&C Agreement.

Note: If any B&C Customer does NOT concur with Supplier performing B&C billing activity on behalf of the Buyers, such Customer may elect to take back its end-user client base and bill the end-users directly.

1. Supplier will accept and process billing records from the Buyers' B&C Customers on behalf of Buyers.
2. Supplier will support the terms and conditions as described in the Buyers' BSA. Such terms and conditions must mirror the terms and conditions that are contained in the Supplier BSAs to the extent that the terms and conditions will affect the Supplier's processes in Supplier's opinion.
3. Supplier will provide Accounts Receivable (PAR) Settlement services which include:
  - a. Balancing/reconciling PAR settlement data.
  - b. Calculating, producing and mailing monthly or cyclic PAR Settlement statements and supporting reports to the B&C Customers as required by each BSA.
  - c. Calculating PAR payment dates.
4. Supplier will provide Ancillary Billing services:
  - d. Balancing and validating Ancillary billing data.
  - e. Calculating, producing, and mailing monthly Ancillary Bills.
5. Supplier will provide Accounting services which include:
  - f. Receiving and posting B&C Customer payments.
  - g. Journalizing Ancillary/B&C revenues and receivables.
  - h. Performing treatment/collection activities.
6. Supplier will have no responsibility to make any payments or disbursements on behalf of the Buyers.

### **ADDITIONAL REQUIREMENTS**

1. Buyers are responsible to negotiate their own BSAs
2. Supplier is under no obligation to provide any custom reports or software.
3. Buyers will make a wire payment to B&C Customers, when necessary, for the purchase of accounts receivable under the Terms and Conditions of the BSAs.
4. Buyers are responsible for late payment charges associated with PAR payment.
5. Buyers will not change any Terms, Conditions, or Rates as specified in Supplier's BSAs.

## **ENG.COE.1 Message Trunk Network Services and Provisioning**

### **DESCRIPTION**

Supplier's Trunk Capacity Management group is responsible for the configuration, sizing and administration of the message trunk network within economic limitations. It is responsible to forecast current and future demands ensuring objective service levels are met in the most economically efficient manner. It is responsible to create routing plans and manage traffic patterns by issuing detailed network routing instructions to operational organizations. The Supplier will:

1. Provide trunk servicing including configuration, sizing and administration of the message trunk network.
2. Provide trunk forecasting to evaluate current activity combined with future demands.
3. Create routing plans and manage traffic patterns by issuing detailed network routing instructions to operational organizations.
4. Provide interconnection provisioning for CLECs, IXCs and wireless Customer requests.
5. Provide PRI provisioning by assigning and reserving capacity for Customer requests for PRI service.
6. The Supplier will issue monthly reports as required including (1) Trunk Administrative Measurement Plan results, (2) FCC 271 Metrics, Common Transport Service, (4) PUC E911 reports and (5) the Annual ARMIS 43-05 table III.
7. Provide Buyers the Network Routing Instructions issued to software provisioning for development of software packets loaded into the switches for traffic routing.
8. Issue work authorizations for network trunk augments, disconnects and rearrangements.

### **ADDITIONAL REQUIREMENTS**

1. The Buyers will provide contact and escalation names as required.

## **ENG.COE.2 Central Office Equipment Procurement and Design**

### **DESCRIPTION**

Supplier will provide central office engineering services to the Buyers to increase capacities of Buyers' central office facilities. Center Engineering shall design the necessary work and provide the estimates of the specific tasks and equipment necessary to complete the project. These tasks include the creation of Telephone Equipment Orders (TEO), the analysis of vendor contracts, the interpretation of site survey notes, and the validation and reconciliation of capital and expense budgets at the job level.

Field Engineering coordinates site surveys with turf vendor engineering companies and equipment installation with Network Operations personnel; analyzes equipment schematics and drawings; interprets site survey notes; verifies equipment installation specifications; manages material; orchestrates job schedules; validates Firm Price Quotes (FPQ); manages job specific capital and expense expenditures.

Supplier will offer these services Monday through Friday from 8:00 am to 5:00 pm Eastern Time.

### **ADDITIONAL REQUIREMENTS**

1. Supplier shall provide Buyers a contact list of Center Engineering personnel.
2. Buyers shall provide a contact and escalation list to Supplier.

### **ENG.COE.3 Customer Network Engineering**

#### **DESCRIPTION**

Supplier shall provide customer network engineering (CNE) support services as these services relate to customer network design, Collocation, and Remote Test Access (RTA). These services are provided to the CLECs in the States.

1. The Supplier CNE team shall support the design of customer networks requests that are entered via a Creation Capacity Request (CCP) into the CBS/CNE database. CNE will interface with the Outside Plant Planning and the Interoffice Facilities engineering teams to design a customer network that meets the specific customer specifications and/or tariff requirements. The Supplier will design the customer network and identify construction cost, facility issues, or diversity violations that could impact the design. CNE also provides estimated costs for installation of the customer designed network.
2. The Collocation services would support the planning and implementation of the collocation network. The services shall consist of the issuance of CCPs to authorize the purchase of equipment that will interface with the CLEC. The Supplier will also project manage the installation/test/turn-up of the equipment. Supplier shall complete the necessary inputs into CBS/CNE, TIRKS and CCP to insure correct billing and inventory information. All CLEC related issues and/or questions related to the Central Office would be handled by through the Supplier's Collocation Services. This work would be done using standard regulatory intervals.
3. The RTA services shall support the Planning of the Remote Test Access Network. The service would include the issuance of CCRs to authorize the purchase/installation of equipment. The service shall also provide for the capacity management of the DS1 test access network. The capacity management is provided through the access and monitoring of DS1 test port availability in TIRKS.
4. All of the work described shall be completed using standard regulatory intervals that are designed to insure regulatory equality.

#### **ADDITIONAL REQUIREMENTS**

1. Buyers must issue customer network design requests through then existing Supplier systems for customer network requests (CBS/CNE system).
2. Buyers must enter CLEC collocation requests through existing Supplier system (CBS/CNE)
3. Buyers must request any additional Remote Test Access equipment through the Supplier's RTA engineer.

## **ENG.COE.4 Switch, Tandem, And Voice Messaging Engineering And Planning**

### **DESCRIPTION**

The Supplier will provide local switch, tandem and voice message engineering and capacity management consultation services for the central offices located in the States. These consultation services consist primarily of technical support required for the planning and design of engineering recommendations and for the capacity management of the switching infrastructure related to the local, tandem and voice mail networks. The service Includes support for new products and technologies, network growth, modernization and reliability, equipment removal, regulatory mandates and direct customer requests. The Supplier will perform these services Monday through Friday from 8:00AM to 5:00PM eastern time.

### **ADDITIONAL REQUIREMENTS**

1. The Buyers will provide contact lists for all necessary personnel
2. The Buyers must be prepared to accept, review and take action on all Capacity Creation Requests (CCR).

## **ENG.COE.5 Miscellaneous Engineering Support Services**

### **DESCRIPTION**

The Supplier will provide Buyers with the following COE support services.

#### 1. Project Management

Supplier will provide local Project Management services for the States' central offices, consisting primarily of support for CO based infrastructure projects, consisting primarily of DSL Held Orders, Voice Mail, and DCS installations.

#### 2. Trunk Integrated Record Keeping System (TIRKS)

Supplier will build, update, and maintain the TIRKS Inventory System for central office, remote site, and customer premise network equipment. Once equipment has been accepted by Operations, the assigners will build the inventory into TIRKS for the hardwired and plug-in equipment so that circuits can be provisioned.

Supplier will provide Buyers with TIRKS inventory builds when requested via an equipment inventory update or an E1 request via capacity creation process.

#### 3. Drafting Services

Supplier will provide Buyers with drafting services to maintain up-to-date central office drawings and electronic storage of such drawings. Maintenance will consist primarily of the verification that during the equipment installation process Supplier's drafting standards are being maintained by engineers of the Buyers or 3<sup>rd</sup> party engineering vendors. Once verified, drawings will be entered into permanent storage. New drawings will be issued upon request. Drafting services for special projects may be requested at additional cost..

Drawings received for verification will generally be reviewed and stored within 30 days. New drawing requests will be addressed within 24 hours.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **ENG.INV.1 Miscellaneous Engineering Inventory Services**

### **DESCRIPTION**

Supplier shall provide the following inventory management services to Buyers necessary to manage the network infrastructure:

1. Code Administration and Telephone Number Forecasting. Supplier shall manage NXX code/block functions with NeuStar via updates to the Telcordia LERG, manage code/block administration for CLEC activity, and provide necessary customer and regulatory reporting as required. The forecasting functions are required to meet FCC requirements for telephone number utilization. Service would include the processing and filing of Number Resource Utilization Forecast Reports.
2. Regional Inventory Management (RIM). Supplier shall perform asset verification of physical Network Operations assets including field plug in accuracy. Supplier will also monitor the field spare levels so that the network service levels will be maintained. Hours of operation for the RIM are Monday through Friday from 8:00 am to 5:00 pm Eastern Time.
3. Traffic Capacity Management (TCM). Supplier shall manage the traffic data and performs switch performance monitoring functions for the Buyers' end Customers. TCM receives and responds to requests for data from the Supplier's various engineering, operations, and telephone number administration department. TCM performs the switch performance functions in response to service issues affecting the Buyers' end Customers.
4. Network Engineering and Planning 5ESS capacity engineering reports. Supplier shall provide such existing reports, which shall be updated through a series of data extracting processes from the Buyers' 5ESS switches. These reports are provided via web access resulting in 24 X 7 availability.

### **REQUIREMENTS**

1. Buyers will provide a contact and escalation list to the suppliers.
2. Buyers will provide all necessary security passwords as required to access systems and data.
3. Buyers will provide direction regarding switch upgrades, tandem changes, waivers and emergency notification. Activity will be coordinated with Buyers' site personnel.
4. Buyers will maintain then existing supplier Access Guardian connections to each 5ESS switch.



## **ENG.INV.2 Engineering Systems Support Services**

### **DESCRIPTION**

The Supplier will provide Buyers with administrative and systems support for systems supporting the engineering inventory functions in the States.

This support shall include systems access management, systems monitoring, problem identification and resolution management, analysis and referral, further tier I and tier II support where performed today. The activities also include the database maintenance, and other existing support.

The systems included in this service are listed below:

1. TDMS – Traffic Data Management System
2. CCP – Capacity Creation Process
3. COEP – Central Office Equipment Property
4. PICSNET – Plug In card Ordering System
5. VENUe – Verizon Engineering Network Utilities
6. BARCODE Compliance / Lost Inventory reports
7. NTAS – National TN and Address System
8. NTAGWeb – National TN / Address gateway web
9. SWITCH – line and trunk inventory and assignment
10. FOMS – Frame Operation Management System
11. BACKSTOP – OSP service order and maintenance problem reporting
12. REACH – Regionall Engineering Access to Construction Hours
13. ECRIS – Engineering and Constuction Records Information system
14. LEIS – Loop Engineering Information System
15. PRS – Pole Records System
16. ICGS / IDDS – Integrated Computer Graphics / Integrated Distribution Data System
17. OPERA – OSP Engineering Resource Administration
18. XSOG – Express Service Order Generator
19. BASE – Bell Atlantic Standard Editor – broadband orders
20. SOM – Service Order Manager
21. LCCG – Line Class Code Generator

### **REQUIREMENTS**

1. Buyers will issue all security passwords and access codes necessary to allow Supplier access to the property records database.
2. Buyers will be responsible for all costs/fees for hardware, software upgrades, or on-site visits that may be required by technicians resulting from work order-monitoring actions.
3. Buyers will be responsible for resolving all client end access issues (correct browser version and settings, network access, training, certification of end users).

4. Buyers will be responsible for all hardware support and maintenance agreements.
5. Buyers will provide a valid system user list to Supplier.

## **ENG.PLN.1 Network Planning Services**

### **DESCRIPTION**

Supplier shall provide network planning functions resulting of exhaust conditions, to increase the capacity of the Buyers networks. The services exclude any planning functions that are caused by abnormal business activities, including cutover planning, and integration with Buyers' affiliate networks.

The planning functions consist primarily of:

1. SS7 Network Planning.
  - a. Supplier will provide planning support for the manufacturer discontinued Nortel DMS-STPs and the Tekelec Eagle STPs. Activities include periodic evaluation of the platforms performance and utilization as well as evaluation and securing new or improved generic software upgrades and hardware upgrades required for the Tekelec Eagle STP.
2. DSL Planning
  - a. Supplier will provide support for the capacity management of DSL services. Supplier will also provide timing and sizing of DSL network element installations, issuance of Capacity Creation Request (CCRs), economic analyses, technical support, and project coordination related to DSL LEC network in the States. Supplier's DSL current planner will initiate circuit request through the BDMS - BeRT system.
  - b. Supplier will provide Net optimize Data traffic report to Supplier's DSL current planning. DSL current planning will respond to augmentation needs when current threshold alerts are attained.
  - c. Supplier will provide planning support for software and hardware upgrades to the DSL network. Supplier will also be responsible for issuing authorization letters as required to support DSL expansion in central offices and remote terminals.
  - d. Supplier will format the backbone planners' circuit requests for OC3 Gateway Router Disconnects & OCD DS3 adds into an ASR and forward to the ILEC via the Carrier Services Gateway (CSG) system. The ASRs flow through the ILEC for provisioning. The order number, circuit I.D., and firm installation due date are documented in Backbone Request Tracker (BeRT) database. The Carrier Services Planner is also responsible for communicating to the Backbone Planner any facilities problems or issues detected by the ILEC through completion of the request. The DSL Backbone Planner monitors the requests and makes necessary changes to the ASRs as needed and updates the BeRT document noting problems and changes made with the ILEC and the ASR.
  - e. Supplier will provide inventory creation for the Network Layers 2/3 elements (DSLAM, ERXs, dedicated AND/ATM switches & LCRs). Supplier will create and maintain assignable inventory in Broadband Assignment Activation and Inventory System (BAAIS) for provisioning of DSL customer service orders.
3. Fast Packet Planning
  - a. Supplier will provide support for the capacity management of Fast Packet Transport (FPAT) and Fiber to the Premises (FTTP) services. Supplier will provide timing and

sizing of FPAT and FTTP network element installations, issuance of Capacity Creation Request (CCRs), economic analyses, technical support, and project coordination related to FPAT and FTTP in the States. FPAT/FTTP Current Planner will initiate Circuit request through the BDMS - BeRT system.

- b. Supplier will provide Net Optimize Data traffic reports. Supplier will respond to augmentation needs when current threshold alerts are attained.
  - c. Supplier will provide planning support for software and hardware upgrades to the FPAT and FTTP networks. Supplier will also be responsible for issuing deployment plans and authorization letters as required to support FTTP expansion in new COs, application guidelines, economic analysis and technical support.
  - d. Supplier will provide support for the capacity management of FPAT/FTTP services. Supplier will also provide timing and sizing of FPAT/FTTP network element installations, issuance of Capacity Creation Request (CCRs), economic analyses, technical support, budget control, and project coordination related to FPAT/FTTP in the States. FPAT/FTTP Current Planner will initiate circuit request through the BDMS - BeRT system.
  - e. Supplier will format the backbone planners' circuit requests for OC3 Gateway Router Disconnects & OCD DS3 Adds into an ASR and forward to the ILEC via the Carrier Services Gateway (CSG) system. The ASRs flow through the ILEC for provisioning. The order number, circuit I.D., and firm installation due date are documented in Backbone Request Tracker (BeRT) database. The Carrier Services Planner is also responsible for communicating to the Backbone Planner any facilities problems or issues detected by the ILEC through completion of the request. The FPAT/FTTP Backbone Planner monitors the requests and makes necessary changes to the ASRs as needed and updates the BeRT document noting problems and changes made with the ILEC and the ASR.
  - f. Supplier will provide inventory creation for the Network Layer 2 & 3 elements (ERXs, ATM switches & LCRs). Supplier will create and maintain assignable inventory in Broadband Assignment Activation and Inventory System (BAAIS) for provisioning of FPAT/FTTP customer service orders.
4. IP and Data Backbone Engineering

Supplier will provide IP Engineering and Capacity Management functions for Buyers, consisting of:

a. IP Network Creation:

Supplier will provide IP Network Creation support related for DSL and FTTP routers deployed in the States. This will consist primarily of the verification of the functionality of new routers and circuits, stress testing of new circuits, and the configuration (layer 3) of these routers, and will include the provision of supporting documentation needed by Buyers to manage these routers.

b. Fast Packet and Ethernet Capacity Management:

Supplier will work with Buyers to perform Capacity Management services for the Buyers' Fast Packet and Ethernet product networks. This Capacity Management function consists of traffic growth trending, order processing, and order implementation so that sufficient bandwidth exists to support customer needs.

c. DSL Host Circuit Capacity Management:

Supplier will work with Buyers to perform Capacity Management services for the Buyers DSL host circuit infrastructure (ATM switch to POP-based DSL router). This Capacity Management function consists of traffic growth trending, order processing, and order implementation so that sufficient bandwidth exists to support DSL customer needs.

d. DIA Host Circuit Capacity Management:

Supplier will work with Buyers to perform Capacity Management services for the Buyers' DIA host circuit infrastructure (ATM, Frame Relay and Private Line). This Capacity Management function consists of traffic growth trending, order processing, and order implementation so that sufficient bandwidth exists to support DIA customer growth.

e. POP Core Router to Backbone Router Capacity Management

Supplier will work with Buyers to perform Capacity Management services for the Buyers' POP Core Routers to the Supplier's Backbone Routers for IP traffic. This Capacity Management function consists of traffic growth trending, order processing, and order implementation so that sufficient bandwidth exists to support DSL and DIA customer needs.

f. LATA Core Router to Backbone Router Capacity Management

Supplier will work with Buyers to perform Capacity Management services for the Buyers' LATA Core Routers to the VZB Backbone Routers for IP traffic. This Capacity Management function consists of traffic growth trending, order processing, and order implementation so that sufficient bandwidth exists to support DSL and FTTP customer needs.

g. VIS POP Sustaining Engineering Support

Supplier will work with Buyers to provide sustaining engineering support to the Buyers' IP POPs. This support will consist of managing switch landscape, recommending and managing technology upgrades to replace older devices, and augmenting capacity on existing routers as needed so that the POP remains robust and that sufficient bandwidth exists on intra-POP links to support DSL and DIA customer needs.

5. Integrated / Transport Planning

- a. Supplier will provide consultation support on the new and revised Local Interconnection section of new and revised Interconnection Agreement (ICA) contracts between the Buyers and CLEC requesting local interconnections to the Buyers' local network.
- b. Supplier will provide integrated planning support for the implementation of the New Hampshire soft switch cluster. The implementation support for the New Hampshire soft switch cluster would include working with Buyers' engineering and operations teams to identify implementation issues.

6. Tandem/Switch/Voicemail and Services Planning

- a. The Supplier will provide end office and tandem network planning support for Buyers, consisting primarily of support for generic software and common hardware upgrades for the end office and tandem switches. Network Planning, as necessary, will assess potential switch exhaust conditions, and evaluate possible relief solutions. The Supplier will plan and advise the Buyers regarding any recommended changes to the E-911 and feature networks. The Supplier will provide guidance and advice

regarding the architecture of the Single Number Service. The end office and tandem switch types consist of Lucent 5ESS and Nortel DMS-10, DMS-100, DMS-200, and DMS-100/200 switches.

- b. The Supplier will provide TDM Voice Mail planning support for the Buyers, consisting primarily of support for generic software and common hardware upgrades. The Supplier will plan and advise the Buyers regarding any recommended changes to the Voice Mail features, network and/or systems. The Voice Mail hub is located in Dover, NH and is being readied to migrate from the Unisys platform to the SS8 SC3100.
- c. The Supplier will provide planning support for the narrowband CALEA solution for VoIP services offered in the ME, NH, and VT areas. Supplier will issue planning documents authorizing the purchase and deployment of CALEA equipment, as required. The Supplier will also advise the Buyers of any recommendations for CALEA services.

## **ENG.OTH.1 Customer Network Engineering**

### **DESCRIPTION**

Supplier shall provide the following Customer Network Engineering support functions:

1. CNE Transport. Supplier will provide design support for the following services
  - a. Dedicated SONET Rings (DSR)
  - b. Intellilight Broadband Transport (IBT) – Point to Point SONET
  - c. Intellilight Entrance Facilities (IEF)
  - d. Intellilight Optical Transport Services (IOTS) – Dedicated DWDM and ROADM Rings
  - e. Verizon Optical Networks (VzON) – Private Line Ethernet
  - f. Alternate Serving Wire Center (ASWC)
  - g. Frame Relay
  - h. Large DS1/DS3 projects
  - i. Lottery Networks
2. CNE Collocation. Supplier will provide Tier III support for the provisioning process of Collocation requests.
3. CNE E911. Supplier will work with Buyers' when reasonably requested to provide the timely response of quality custom designs and inquiry requests related to regulated E911 and other emergency services
4. Supplier reserves the right to charge additional hourly fees at its fully loaded labor rate in order to meet reasonably requested CNE assistance for regulatory compliance.
5. Supplier is not obligated to support CNE design for projects that do not conform to the design of the current network.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

**ENG.OTH.2 Database Management Services (DBMS)**

**DESCRIPTION**

The Supplier's E911, NTAS & iView support teams will provide the following services to Buyers:

1. Error resolution for daily service order fallout.
2. Data entry into Database Management System for all modifications requested to the Master Street Address Guide (MSAG).
3. Data entry into NTAS and iView for all modifications.
4. Research and resolution for all E911 call misroutes.
5. Project Management for all E911 re-addressing/conversion projects.
6. Modification of customer records due to re-addressing/conversion activity.
7. Referral of service order activity for special accounts to appropriate departments.

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.



**ENG.OTH.3 Build Requests Control Center (BRCC)**

**DESCRIPTION**

Supplier will assist the Buyers in the project management of high capacity facility issues generated by a service order request received through RequestNet. This consists primarily of managing the steps involved in providing facilities on a high capacity circuit.

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **ENG.OTH.4 Inter-Office Facilities (IOF) Engineering Provisioning**

### **DESCRIPTION**

Supplier will provide the following IOF engineering services to Buyers:

1. Provisioning of customer submitted service order requests at various circuit levels (DS0, DS1, DS3, and Dark Fiber) through the retail and wholesale lines of businesses.
2. Build, design and maintain the DS1 infrastructure network to provide capacity for customer DS0's as well as message and special circuits.
3. Design, analyze and maintain diversity on key circuits such as, umbilical control links, SS7, Sync and E911 paired circuits.
4. Maintain the TiRKS database to ensure efficient, direct network routing.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **ENG.OTH.5 SS7 and E911 Circuit Diversity Analysis and Synchronization Engineering**

### **DESCRIPTION**

Supplier will perform diversity analysis for the SS7 links from the Buyers' End office to the STPs on a monthly basis. Supplier will also perform diversity analysis on all E911 End Office to 911 tandems, Public Safety Answering Point (PSAP) and ALL circuits on a monthly basis. The Supplier will review each month the SS7 Audit report to identify new Central Office violations that need to be corrected and confirm Central Office violations were cleared. After each monthly Diversity Tracking System update, the Elevation and Degradation report will be run to confirm violations that were cleared and to identify new violations that were found. The Supplier will work with Buyers to correct the identified diversity violations and update the monthly reports. The systems used to perform this analysis are DTS (Diversity Tracking System) and TIRKS.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **ESG.SYS.1 Enterprise Solutions Group (ESG) Support**

### **DESCRIPTION**

Supplier will provide Buyers with the systems' access and administrative support for customer support functions for Buyers' enterprise Customers. This service shall be provided for the existing enterprise contracts and services as well as the sale of new tariff services. **New Individual Case Basis (ICB) contracts or custom sales will not be supported by Supplier.** The service shall consist primarily of:

1. Implementation management, consisting of the project management of activities related to the installation of ordered services.
2. Technical service management, consisting of standard and custom reporting, SLA tracking and reporting, record keeping of network diagrams and designs. Supplier shall serve as an escalation point for trouble tickets when the standard process is not meeting Customer needs.
3. Service management, consisting of Customer support for bill inquiries, account inquiries, claims and adjustment management and MAC (Move, Add and Change) orders. Supplier shall process these requests in its proprietary Portal and route them to Supplier's wholesale support centers.
4. Dedicated and internet order process. Supplier shall process dedicated and Internet orders to provision legacy Customers on the VSSI (Verizon Select Services Incorporated) platform.
5. Post service sales bureau. Supplier shall process switched orders to provision Customers on the VSSI platform. Supplier will receive and process switched orders for ANI, Calling Card, Toll Free, Verified/Unverified Account Codes (VAC/UVAC), and Billing Group Numbers (BGN).
6. VSSI billing Inquiry. Supplier shall take VSSI Customer calls and handle billing inquiries for both Bobco and NBBE billing platform.
7. Project management services will be provided on complex and custom implementations. Custom/ICB projects that were started prior to commencement of transition period will be continued during transition and will be billed at the hourly rate of \$100 per project manager hour. No new ICB projects will be supported during the transition. Only projects including tariffed services will be supported during the Transition Period.

### **ADDITIONAL REQUIREMENTS**

1. Buyers shall adhere to service standards as stipulated by the Public Utilities Commission and as otherwise reasonably requested by Supplier.
2. Buyers shall have their own trained enterprise sales force prior to the beginning of this service.
3. Buyers shall be prepared to fully support the CPE ordering, maintenance, and associated billing and other support services prior to the beginning of this service
4. Supplier will deliver reasonably requested customer data to the Buyers pertaining to regulated services and associated billing records and profiles.

5. Supplier will maintain legacy systems and processes used to support the Customer service function. Supplier will also provide user administration in support of system access.
6. Supplier will maintain order volumes and relevant measurements to customer service functions.

## **NET.NPC.1 Circuit Provisioning Services**

### **DESCRIPTION**

Supplier shall use its proprietary Trunk Inventory Recording Keeping System (TIRKS) or then existing systems to perform circuit provisioning and related administrative functions. The Supplier circuit provisioning centers (CPC), located in Boston, MA and Marlboro, MA will perform reasonably requested circuit provisioning and administrative functions for the Buyers at the existing business hours. The Boston CPC is open Monday-Friday, 7 am – 9 pm. The Marlboro CPC is open Monday-Friday, 7 am – 6 pm.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **NET.NPC.2 Data Network Creation**

### **DESCRIPTION**

Supplier shall support necessary testing, configuration, and augmentation of the data elements and network trunk activations associated with Fast Packet, FTTP and DSL central office based elements. Hours of operation for Fast Packet and FTTP center are 8 AM EST to 7 PM EST. The DSL center is open 24 x 5 (Monday thru Friday).

Supplier shall configure interfaces and routing to support implementation of DIA (Direct Internet Access) and IPVPN services for Buyers' business customers. For DIA service, Supplier shall issue ASR service requests with CFA assignments requesting standard interval for local loop to customer premises. Hours of operations for the DIA/IPVPN center are Monday – Friday 8 AM EST to 5 PM EST.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

### **NET.NPC.3 Voice Network Creation Services**

#### **DESCRIPTION**

Supplier shall provide development and loading of network translations for the Buyers' end office, tandem, TOPS and E911 switching entities in support of routing and charging, code activations/transfers/deactivations, NPA activations/splits/overlays, country code activations/modifications, network trunking (IXC, CLEC, Internal), customer trunking (PRI, DID, DOD), and Centrex services. Supplier will provide support for three move and change applications (CCRS, Macstar, CMAC) to large Centrex customers utilizing those applications. Provisioning technical support shall be provided Mon-Fri, 8-5 EST. Translation-related trouble resolution service shall be provided 7x24.

#### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.



**NET.NPC.4 Winback Coordination (WCC) Services**

**DESCRIPTION**

Supplier shall provide the reconnection for Winback Customers returning from CLEC providers. Supplier shall receive an order for coordination via the eWPTS Winback Module (WFA/C is the backup if eWPTS fails). WCC will then coordinate the release and testing of the disconnect and add orders, and release the service to the end customer upon completion. The WCC center is open from 8 am to 8 pm M-F, EST.

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **NET.SMT.1 Network Maintenance Operations Center (NMOC) Services**

### **DESCRIPTION**

Supplier shall perform:

1. Surveillance and maintenance of the Buyers' ATM-Frame Relay backbone network switches. The Supplier shall perform this function 24 hours a day, 7 days a week. The Supplier's NMOC, shall to the extent possible, remotely repair ATM-Frame Relay backbone network switch troubles, or if required, shall input tickets to dispatch Buyers' onsite technicians through Supplier's NDC (National Dispatch Center) and/or the NCC (Network Control Center).
2. Surveillance and maintenance of the DSL aggregation network and backbone network from the ASAM to the National Network Maintenance Center (NNMC) IP uplinks at the terminating ATM switch. The NMOC shall not manage the actual Wholesale uplinks. The NMOC shall perform this function 24 hours a day, 7 days a week. The Supplier's NMOC, shall to the extent possible, remotely repair these DSL aggregation network troubles, or if required, shall input tickets to dispatch Buyers' onsite technicians through Supplier's NDCs (National Dispatch Centers) and/or the NCC (Network Control Centers).
3. Surveillance and maintenance of the Customer Move Add and Change (CMAC) servers located in Baltimore, MD and 4 proxy servers (Baltimore MD and Pearl River NY). These servers are not conveyed Network Elements. The NMOC shall perform this function 24 hours a day, 7 days a week. The NMOC shall remotely repairs trouble if possible, or if required, will contact the Supplier's NSCC (Network Services Computer Center) to dispatch onsite technicians, which will coordinate vendor access. Additionally, the NMOC shall input tickets to dispatch onsite technicians through regional NDCs (National Dispatch Centers) and/or the NCC (Network Control Centers).
4. Surveillance and maintenance of the CCSN servers (STP, ISCP, and LNP). The NMOC performs this function 24 hours a day, 7 days a week. The NMOC manages the servers and B, C, and/or D linksets. The VNM manages the OSN uplinks. The NCCs manage the A and E linksets. CATC manages the Wholesale customers. The NMOC remotely repairs trouble if possible, or if required, will input tickets to dispatch onsite technicians through OSN Helpdesk, regional NDCs (National Dispatch Centers), and/or the NCC (Network Control Centers).
5. The NMOC performs surveillance and maintenance of the Multi Service Platform (MSP) servers. The NMOC performs this function 24 hours a day, 7 days a week. The NMOC does not manage the actual OSN uplinks. The VNM manages the OSN uplinks. The NMOC remotely repairs trouble if possible, or if required, will input tickets to dispatch onsite technicians through OSN Helpdesk, NECC (Network Element Control Center), regional NDCs (National Dispatch Centers), and/or the NCC (Network Control Centers).
6. The NMOC performs surveillance and maintenance of the two Station Message Detailed Reporting (SMDR) servers. The NMOC performs this function 24 hours a day, 7 days a week. The NMOC remotely repairs trouble if possible, or if required, will contact the NSCC (Network Services Computer Center) to dispatch onsite technicians, which will coordinate vendor access. Additionally, the NMOC will input tickets to dispatch onsite technicians through regional NDCs (National Dispatch Centers) and/or the NCC (Network Control Centers).

7. The NMOC performs surveillance and maintenance of the Switched Ethernet Service (SES) backbone network switches. The NMOC performs this function 24 hours a day, 7 days a week. The NMOC remotely repairs trouble if possible, or if required, will input tickets to dispatch onsite technicians through regional NDCs (National Dispatch Centers) and/or the NCC (Network Control Centers).
8. The NMOC performs surveillance and maintenance of the Individual Voice Response (IVR) servers. The NMOC performs this function 24 hours a day, 7 days a week. The NMOC does not manage the actual OSN uplinks. The VNM manages the OSN uplinks. The NMOC remotely repairs trouble if possible, or if required, will input tickets to dispatch onsite technicians through OSN Helpdesk, regional NDCs (National Dispatch Centers), and/or the NCC (Network Control Centers).

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **NET.SMT.2 Network Maintenance Center Services**

### **DESCRIPTION**

The Supplier's National Network Maintenance Center (NNMC) is the surveillance and maintenance center responsible for the 24 X 7 X 365 operations for voice and data services being delivered over the FTTP network. This center is the metamorphosis of a number of next generation service delivery platforms and maintenance centers combining to concentrate on Layer 3 and above monitoring and orchestrating the maintenance of the converged services platforms delivering FTTP, and Internet services in effect as of the Closing Date.

1. Supplier shall maintain 24 X 7 X 365 staff to monitor the applicable network elements.
2. Supplier shall maintain the OSS applications to meet 24 X 7 X 365 coverage capability.

The NNMC shall provide to the Buyers the following services:

1. Surveillance – Alarm/Trouble Support Driven, consisting primarily of fault monitoring, trouble referrals/support, alarm correlation, and ticket creation.
2. Fault Maintenance – Network Event/Fault Driven, consisting primarily of analysis, remote maintenance, and dispatch of troubles where required.
3. Scheduled Maintenance – Network Growth/Improvement Driven, consisting primarily of routine proactive maintenance (i.e. vendor/Tier II recommended), to include scheduled upgrades, cutovers, grooming, projects, and patches.

The NNMC shall perform these functions for the following network services:

1. IP Network - LATA Core, Service Edge, and Application Edge routers supporting Dedicated Internet Access, IP/VPN, DSL, and FTTP Data
2. FTTP Network – OLT, Switch interface, WDM, and 1X32 splitter supporting the Voice and Data services.

### **ADDITIONAL REQUIREMENTS**

1. Buyers shall maintain 24X7X365 staff for Field support (I&M and Construction) and C.O. support.
2. Buyers shall maintain recommended spares inventory for equipment being monitored.
3. Buyers shall perform recommended routine maintenance for equipment being monitored.
4. Buyers shall maintain escalation contact list for 24 X 7 X 365 access up to VP level.
5. Buyers shall participate in process development and ad hoc meetings when requested at Buyers sole cost and expense.
6. Buyers shall maintain network element access and connectivity up to the meet-me point.

### **NET.SMT.3 Transport Tier II Technical Support**

#### **DESCRIPTION**

Supplier will provide Buyers with twenty-four hours, seven days a week Tier II technical support for transport network elements in the States. The function consists primarily of outage investigation and diagnostic analysis of the transport network element failures. This investigation consists primarily of accessing the applicable transport network element by using resident diagnostic and trouble analysis capabilities. The Transport Tier II support functions consist of analyzing the trouble, taking corrective action or escalating the trouble using existing escalation procedures.

1. Supplier will provide 24/7 Transport Tier II technical assistance to Buyers via ACD.
2. Supplier will seek vendor/manufacturer assistance (at Buyers' expense) if trouble cannot be corrected at Tier II level.
3. Supplier will provide a directory of telephone numbers and escalation list of the Transport Tier II Support organization to the Buyers.
4. Supplier will collect and forward service outage data to Buyers.

#### **ADDITIONAL REQUIREMENTS**

1. Buyers will maintain the transport network element hardware and associated devices located in each acquired location.
2. Buyers will issue all security passwords and access codes necessary to allow Supplier access to the transport network elements at close.
3. Buyers will identify hierarchy of call out response; establish contact lists of Buyers' employees and escalation contact procedure to be submitted to Supplier.
4. Buyers will assume associated costs/fees for hardware, software upgrades, vendor telephone support or on-site visits that may be reasonably requested by vendor technicians resulting from Tier II support actions.
5. Buyers will provide instructions on all transport network element upgrades.
6. Buyers will provide Supplier with necessary access to the transport network element so that Supplier may perform Tier II support.

## **NET.SMT.4 Switching Tier II**

### **DESCRIPTION**

1. Supplier's Surveillance, Maintenance, and Tier II Support (SMT2) – Technical Support Services – Switching (TSS-S) shall provide Buyers with twenty-four hours, seven days a week Tier II technical support for switching network elements and services in the States remotely via telephone.
2. Technical Support shall be performed on switching network elements defined as Lucent 5ESS, AMDF, Nortel DMS10, Nortel DMS100, Softswitch/FTTP, SS7/STP, and- Voice Mail Services Central Office Switching Equipment that is in place on the Closing Date. Technical Support Services shall continue to provide support for AIN, LIDB, CNAM, Toll Free, LNP, and TCW.
3. SMT2 TSS-S shall provide remote technical assistance to trained Buyers' personnel, both routine and emergency. Calls for technical support to TSS-S are expected to originate from the Supplier's Tier I Centers (NCC). Those Tier I Centers will be staffed with trained technicians and continued responsibilities for Tier I Support including services like software updates, patching, spare card management, etc. The Tier I technicians must call SMT2 TSS-S with technical inquiry, and then TSS-S will respond to questions and/or log into the system to provide fault isolation and resolution.
4. Any requirement for Tier III services will be the financial responsibility of the Buyers.
5. Supplier will provide a directory of telephone numbers and escalation list for the Switch Tier II Support organization to the Buyers.
6. Supplier will collect and forward service outage data to the Buyers according to the Outage Escalations Procedure described below.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will maintain the Switch network element hardware and associated devices located in each acquired location.
2. Buyers will issue all security passwords and access codes necessary to allow Supplier access to the Switch network elements at close.
3. Buyers will identify hierarchy of call out response; establish contact lists of Buyers' employees and escalation contact procedure to be submitted to Supplier.
4. Buyers will assume associated costs/fees for hardware, software upgrades, vendor telephone support or on-site visits that may be reasonably requested by vendor technicians resulting from Tier II support actions.
5. Buyers will provide instructions on all Switch network element upgrades. Provisioning modifications shall be coordinated through Buyers' site personnel, designated work center, or electronic bonding.
6. Buyers will provide Supplier with necessary access to the Switch network element so that Supplier may perform Tier II support.

7. Any requirement for Tier III support services shall be the financial responsibility of the Buyers.
8. Buyers will provide trained personnel.

### **Outage Escalations and Procedure**

The following procedure shall be implemented when Buyers report a condition, which represents major service impairment. This procedure applies to situations where a full network element or a part thereof, experiences an outage event whose cause or course of remedial action is not identified.

#### **Outage/Loss of Call Processing Actions**

When a switch element has been determined to be in an outage condition, the following actions shall be attempted:

- a) SMT2-TSS-S shall attempt to find a hardware configuration that will permit call processing restoration; and,
- b) SMT2-TSS-S shall evaluate the instigation of switching element reload process and initiate such instigation if warranted; and,
- c) SMT2-TSS-S shall, in the event call processing is not restored after two system reloading attempts, seek equipment vendor/manufacturer assistance (at Buyers' expense).

#### **Outage/Partial**

When a switch element has been determined to be in a partial outage or severely impacted condition, SMT2-TSS-S shall perform the following actions unless a defined course of action has been set by Supplier within thirty (30) minutes after SMT2-TSS involvement:

- a) SMT2-TSS-S shall evaluate the instigation of switching element initialization processes to resolve possible status related impairment; and,
- b) SMT2-TSS-S shall evaluate the instigation of switching element reload processes; and,
- c) SMT2-TSS-S shall, if after one (1) hour of involvement restoration of the impairment is not imminent, take necessary action to secure additional technical expertise and ensure available resources are being utilized.

## **NET.SMT.5 Power Tier II Technical Support**

### **DESCRIPTION**

Supplier will provide 7-day by 24-hour Tier 2 technical support to the DC and AC power infrastructures in Buyers' central office locations in the States. The DC power infrastructure consists primarily of DC power plant rectifiers and microprocessor-based controller, power distribution systems, BDFBs and fuse panels, standby battery systems, and the integrity of the office's grounding and environmental systems. The AC infrastructure consists primarily of the standby engine-generator assembly, the associated control and fuel systems, and the automatic transfer switchgear systems.

The technical support functions shall be provided over the phone. On occasion, Buyers may require on-site services. Supplier shall require Buyers to submit a written request for onsite services. Onsite services may consist of an audit of the DC power system, voltage and current measurements, battery discharge (rundown) testing, grounding system integrity verification, an audit of the site's environmental system, and an infrared scan of the DC distribution system.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.



## **NET.SMT.6 IP Networks Tier II Technical Support**

### **DESCRIPTION**

1. Supplier's Surveillance, Maintenance, and Tier II Support (SMT2) – Technical Support Services – IP Networks shall provide Buyers with twenty-four hours, seven days a week Tier II technical support for Buyers' IP Network elements and service locations in the States remotely via telephone.
2. Technical Support shall be performed on IP Networks elements defined as Juniper ERX 1440, Juniper M/T-series routers, Cisco 7200/7500/10000/12000-series routers, Cisco ATM & Catalyst Ethernet switches.
3. The network connections between existing Supplier IP network elements and those that convey to the Buyers will be converted to External Border Gateway Protocol (EBGP). The connections will be treated as peering connections and managed according to standards for network connections with other 3rd party connections to the Supplier IP network.
4. Technical Support Services IP Networks shall provide remote technical assistance to trained Buyers' personnel, both routine and emergency. Calls for technical support to TSS-IP Networks are expected to originate from Tier I Centers. Those Tier I Centers should be staffed with trained technicians and continued responsibilities for Tier I Support including services like software updates, patching, spare card management, etc. The Tier I technicians must call TSS-IP Networks with technical inquiry, and then TSS-IP will respond to questions and/or log into the system to provide fault isolation and resolution.
5. Any requirement for Tier III Vendor services shall be the financial responsibility of Buyers.
6. Supplier will provide a directory of telephone numbers and escalation list for the IP Networks Tier II Support organization to the Buyers.
7. Supplier will collect and forward service outage data to the Buyers, according to the outage procedures outlined below.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will maintain the Switch network element hardware and associated devices located in each acquired location.
2. Buyers will issue all security passwords and access codes necessary to allow Supplier access to the Switch network elements at close. Buyers must provide SNMP access to supported network elements to allow trending and performance analysis applications to collect data necessary for troubleshooting.
3. Buyers will identify hierarchy of call out response; establish contact lists of Buyers' employees and escalation contact procedure to be submitted to Supplier.
4. Buyers will assume associated costs/fees for hardware, software upgrades, vendor telephone support or on-site visits that may be reasonably requested by vendor technicians resulting from Tier II support actions.
5. Buyers will provide instructions on all Switch network element upgrades. Provisioning modifications will be coordinated through Buyers' site personnel, designated work center, or electronic bonding.

6. Buyers will provide Supplier with necessary access to the IP network element so that Supplier may perform Tier II support.
7. Buyers must register a new Autonomous System Number (ASN) from ARIN in order to support EBGP connections described above.
8. Buyers must register for new IP network assignments from ARIN in order to renumber transitioned network elements and customers so that Supplier's registered IP network numbers can be returned. This must be accomplished within 180 days of completed transition date.
9. During initial 180 day transition where Buyers is using Supplier registered IP networks, Buyers must insure that Supplier IP networks are only advertised to Supplier. Under no circumstances are these IP network assignments to be advertised to any other provider.
10. Any requirement for Tier III Vendor services shall be the financial responsibility of Buyers.

**Outage Escalations and Procedure:**

The following procedure shall be implemented when Buyers reports a condition, which represents major service impairment. This procedure applies to situations where a full network element or a part thereof, experiences an outage event whose cause or course of remedial action is not identified.

**Outage/Loss of IP Routing Actions:**

When a network element has been determined to be in an outage condition, the following actions shall be attempted:

- a. SMT2-TSS-IP Networks shall attempt to find a hardware and/or software configuration that will permit IP routing to be restored; and,
- b. SMT2-TSS-IP Networks shall evaluate the instigation of IP Networks element reload process and initiate such instigation if warranted; and,
- c. SMT2-TSS-IP Networks shall, in the event IP routing is not restored after two system reloading attempts, seek equipment vendor/manufacturer assistance (at Buyers' expense).

**Outage/Partial:**

When a network element has been determined to be in a partial outage or severely impacted condition, SMT2-TSS-IP Networks shall perform the following actions unless a defined course of action has been set by Supplier within thirty (30) minutes after SMT2-TSS involvement:

- a. SMT2-TSS-IP Networks shall evaluate the instigation of IP Networks element initialization processes to resolve possible status related impairment; and,
- b. SMT2-TSS-IP Networks shall evaluate the instigation of IP Networks element reload processes; and,
- c. SMT2-TSS-IP Networks shall, if after one (1) hour of involvement restoration of the impairment is not imminent, take action to secure additional technical expertise and ensure available resources are being utilized.

## **NET.SMT.7 Broadband Tier II Technical Support**

### **DESCRIPTION**

1. Supplier shall provide twenty-four hours, seven days a week Tier II technical support for the Buyers' DSL, Fast Packet, and Switched Ethernet elements in the States remotely via telephone.
2. This service shall be performed on DSL, Fast Packet and Switched Ethernet elements defined as Cisco 7200/7500/10000/12000-series routers, Cisco ATM & Catalyst Ethernet switches, Lucent CBX/GX FP switches, Ciena DN7100/7200 FP switches, Redback routers, Alcatel ASAMS, Alcatel Litespan, Ciena/Catena, and Adtran DSL equipped Remote Terminals.
3. Supplier shall provide remote technical assistance to trained Buyers' personnel, both routine and emergency. Calls for technical support to Supplier are expected to originate from Buyers' Tier I Centers. Those Tier I Centers should be staffed with trained technicians and continued responsibilities for Tier I Support including services like software updates, patching, spare card management, etc. The Tier I technicians must call the Supplier's TSS-Broadband with technical inquiry, and then TSS-Broadband will respond to questions and/or log into the system to provide fault isolation and resolution.
4. Any requirement for Tier III Vendor Services will be the financial responsibility of Buyers.
5. Supplier will provide a directory of telephone numbers and escalation list for the Broadband Tier II Support organization to Buyers.
6. Supplier will collect and forward service outage data to Buyers.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will maintain the network element hardware and associated devices located in each acquired location.
2. Buyers will issue all security passwords and access codes necessary to allow Supplier access to the network elements at close. Must also provide SNMP access to supported network elements to allow trending and performance analysis applications to collect data necessary for troubleshooting.
3. Buyers will identify hierarchy of call out response; establish contact lists of Buyers' employees and escalation contact procedure to be submitted to Supplier.
4. Buyers will assume associated costs/fees for hardware, software upgrades, vendor telephone support or on-site visits that may be reasonably requested by vendor technicians resulting from Tier II support actions.
5. Buyers will provide instructions on all network element upgrades. Provisioning modifications will be coordinated through Buyers site personnel, designated work center, or electronic bonding.
6. Buyers will provide Supplier with necessary access to the network element so that Supplier may perform Tier II support.

7. Buyers must register a new Autonomous System Number (ASN) from ARIN in order to support EBGP connections described above.
8. Buyers must register for new IP network assignments from ARIN in order to renumber transitioned network elements and customers so that Supplier's registered IP network numbers can be returned. This must be accomplished within 180 days of completed transition date.
9. During initial 180 day transition where Buyers is using Supplier's registered IP networks, Buyers must insure that Suppliers IP networks are only advertised to Supplier. Under no circumstances are these IP network assignments to be advertised to any other provider
10. Any requirement for Tier III Vendor Services will be the financial responsibility of Buyers.

## **NET.SMT.8 Management Networks Support and Management**

### **DESCRIPTION**

The Verizon Management Network (VMN) provides 24x7 support for the following networks:

- Data Services Center Network (DSC)
- Data Communications Network (DCN)
- System Interface Management Network (SiNet)
- Global Network Interface (GNI)
- Operations Support Networks (OSN)

The support consists primarily of planning and implementation, device/port turn ups, configuration and routing implementation, remote management and direction of support during trouble isolation, detection, and correction.

There are approximately 650 VMN devices in the States.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **NET.SMT.9 Network Services Management Services**

### **DESCRIPTION**

The Supplier Network Services Management Center (NSMC) shall provide the following services to the Buyers:

1. Fault Management Center (FMC) services, consisting primarily of Health of the Network (HON) information and trouble/outage updates to Buyers.
2. Network Administration Group (NAG) services, consisting primarily of data collection and monitoring, exceptions analysis. Supplier shall analyze exceptions, and take necessary corrective and preventative actions. Supplier shall monitor service level exceptions for Central Office switch, common equipment, and elements of the trunking network. Supplier shall refer maintenance issues to the Supplier's Network Test Centers, Network Control Centers, and dispatch centers and C.O. Technicians. Supplier shall refer BAU capacity issues, both common equipment and trunking to appropriate Engineering groups. Supplier shall review and explain daily and monthly Central Office blocking, on office Blockage and Umbilical, Dial Tone Speed, Office Overflow, and Network Matching loss outages.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **NET.SYS.1 Network Systems Administration**

### **DESCRIPTION**

Supplier shall provide Network Systems Administration and Support services consisting primarily of:

1. Recent Change Memory Administration Services (RCMAC) consisting primarily of user access to the then existing RCMAC systems.
2. Remote Access Test (REACT) system test application support for provisioning and maintenance of DSL and special circuits. This consists primarily of system administration activities, Tier II support services and trouble investigation and resolution services.
3. Switch Billing Usage Data Collection and System Administration (EBAC). Supplier shall provide system administration for the DCS-2000 (aka IntermediatE) data collection system which includes daily review of system operations and processes to proactively identify and resolve application and system troubles; system maintenance activities; development, testing and implementation of new data collection and delivery interfaces; development and implementation of customized processing scripts for mechanized reporting and data mediation; CO SLM tape processing; Tier II technical support for Data Collection Technicians and switch field personnel; interface with vendor for Tier III system support; and 24 x 7 system support via telephone. Supplier shall provide day to day monitoring of data collection activities. This consist primarily of daily review of system reports used to identify any usage collection anomalies; investigation and resolution of suspected missing switch data; recovery of missing switch data; CO tape processing; building of new data collection and delivery portals; switch upgrade collection support on pre-scheduled basis; and investigation and resolution of data delivery issues.
4. Automated Message Accounting (AMA) Network Usage Error Analysis and Resolution, consisting primarily of investigation of AMA usage errors identified by the billing system on a daily basis (Monday – Friday); upon successful identification of root cause, referral to appropriate department for resolution/correction; follow-up of referrals for completion; deletion and tracking of usage records in error.

### **ADDITIONAL REQUIREMENTS**

1. Buyers shall maintain the existing switch network element hardware and associated devices located in each acquired location.
2. Buyers will issue all security passwords and access codes necessary to allow Supplier access to the network elements.
3. Buyers will provide a hierarchy and directory of contact personnel.
4. Buyers will identify hierarchy of call out response; provide contact lists of employees responsible for switch maintenance and data collection escalation contact procedures to Supplier.
5. Buyers will coordinate all switch upgrade activities, requiring usage data collection for completion, with Supplier usage data collection technicians.

6. With respect to the AMA service, Buyers must provide daily usage error file in Supplier's specified format each business day.



## **NET.SYS.2 Central Office Field Operations Support**

### **DESCRIPTION**

Supplier shall provide the following system support to the Buyers:

1. The supplier's Central Office Equipment Installation (COEI) National Operations Support will provide User Access, Training when required, and any additional support for the then existing Einstall applications. The current Einstall applications include General Method of Procedure (GMOP), Service Event Tracking Database (SETD), Partner Survey Tracking (PST), E-Business Quality Review (EQR), and the COEI Portal (used by Internal Technicians) and the Vendor Portal (for outside vendors). These Einstall applications are available 24x7. Technical support for these functions is primarily between 8am-5pm EST.
2. eCO/WFA/DI Implementation and Tier I support. Supplier shall manage the implementation for features and functionality to the Buyers' users of eCO/WFA./DI systems, which consist primarily of the Buyers' central office technicians. The Supplier shall also provide 24X7 TIER 1 support on eCO Systems to the central office technicians and management and network operations centers if applicable.
3. Frame Order Management Support (FOMS) user support. The system is primarily used by the Buyers' central office technicians.
4. Automated Main Distribution Frame (AMDF) support. The system is primarily used by the Buyers' central office technicians

### **ADDITIONAL REQUIREMENTS**

1. The Buyers shall confirm a list of users in the States and inform Supplier's COEI National Support of new users requiring access to these platforms.

## **ROPS.FSC.1 Fiber Solution Center (FSC) Services**

### **DESCRIPTION**

The Supplier Fiber Solutions Center (FSC) shall provide the following services to the Buyers:

1. Technical Support:
  - a. Integrated voice and data support to the Buyers' FTTP Customers.
  - b. Ticket creation, escalation and management.
  - c. Trouble isolation & resolution of Customer issues.
  - d. Handoffs to dispatch when necessary.
  - e. Assist Buyers' installation and maintenance technicians with PC configuration issues.
2. Order Control:
  - a. Escalation & resolution of past due orders or orders in fallout.
  - b. Rescheduling of past due orders.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

**ROPS.VRRC.1 Repair Resolution Center**

**DESCRIPTION**

The Supplier's Repair Resolution Center (VRRC) shall provide the following services to Buyers:

1. Answer incoming repair calls from Buyers retail core voice Customers.
2. Enter trouble reports in CAD/vRepair for distribution to the appropriate resolution center.
3. Assist Buyers in responding to requests from State and Regulatory inquiries on service levels.

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **ROPS.NCC.1 Network Control Center (NCC)**

### **DESCRIPTION**

The Supplier's Network Control Center (NCC) shall provide 7x24 surveillance and maintenance of Buyers' central offices, remote offices, and transport facilities in the States.

The switch control functions consist primarily of:

1. Surveillance of the switching network elements.
2. Analysis of network element output messages.
3. Maintenance and analysis of network troubles.
4. Tier-1 technical support for switching.
5. Remote administration of application of generics.
6. Maintenance support.
7. Maintenance of the OSN links.

The transport control functions consist primarily of:

1. Surveillance of transport network elements.
2. Maintenance and analysis of network troubles.
3. Maintenance support.
4. Maintenance of the OSN links.
5. Tier-1 technical support for transport.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **ROPS.NTC.1 Network Transport Center Services**

### **DESCRIPTION**

The Supplier's Network Transport Center (NTC) is the first level tier support for complex translations line and trunk troubles.

- Ticket lists include "no dialtone" - line troubles, and NT & DL tickets (trunk / carrier issues ). These tickets are received primarily from SARTS, and PCC.

The NTC shall work directly with the Buyers' central office and field technicians to isolate and resolve troubles. Troubles are either resolved or isolated and escalated to another work center for appropriate resolution. The NTC shall monitor and coordinate trouble tickets received from competitive local exchange carriers.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

**PAOS.CCI.1 Customer Measurement Services (CMS)**

**DESCRIPTION**

The Supplier will provide Customer Measurement Services (CMS) consisting of Customer satisfaction surveys in the States. The function consists of periodic sampling of Customer satisfaction for consumer and business repair and consumer and business provisioning.

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **PAOS.CCI.2 Customer Advocacy Operations**

### **DESCRIPTION**

Supplier shall manage the Customer complaints consisting primarily of necessary research and complaint resolution with the Customers. Supplier shall receive such complaints via calls, emails and letters from Customers or from communications with state or federal regulatory agencies. Supplier shall enter and track received complaints in its proprietary web-based VeCTR System. Supplier will provide Customers with access to the VeCTR system. Daily, weekly and monthly reports can be extracted from the VeCTR to review trends, monitor compliance along with providing complaint detail upon demand.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **PAOS.PAS.1 Process Assurance And Support**

### **DESCRIPTION**

The Supplier will provide centralized Process Assurance and Support services for the core voice, DSL, and FTTP Customers. The initial phase of the process assurance process consists of operational and regulatory performance metrics support.

Supplier will provide Buyers with support for then existing metrics and metric systems that support the Buyers' inside and outside field operations. Supplier will:

1. Provide on-going metric system and application support.
2. Maintain applications and systems in accordance with Supplier's remaining property release, patch, and/or fix schedule.
3. Communicate metric affecting data center or server outages, incidents, change requests, or enhancements.
4. Isolate the end-user access to the Buyers' operations data.
5. Provide metric reports where isolation is not reasonably feasible.
6. Provide historical data as reasonably requested, provided that such historical data is readily available.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.



## **PAOS.SVS.1 Service Assurance Support**

### **DESCRIPTION**

Supplier will provide the following Service Assurance Support Services:

1. Resource Management System and Call Operations Support.
  - a. Supplier will provide 24x7 administration and call management and delivery via Automatic Call Delivery(ACD)/RT1000 Management Information System (MIS) integrated into Nortel DMS 100 switch supporting call centers in the States including:
    - i. Create new Automatic Call Delivery (ACD) groups/teams for call routing/delivery.
    - ii. Make configuration changes to redirect customer calls.
    - iii. Provide MIS real time monitoring of agent activity including reports
    - iv. Monitor and size the network, order and size network facilities based upon growth.
    - v. Administer centralized Help Desk/Data Base for trouble reporting and resolution.
    - vi. Configure MIS terminals at remote center locations.
    - vii. Administer announcements, agent log on Ids/modify and maintain user menus/permissions/displays, hours of operation/load management changes.
  - b. Supplier will administer 24X7 EMPSx Force Management system supporting call centers in the States including:
    - i. Build new data bases for new or consolidating offices.
    - ii. Supply ticket support for system and user problems.
    - iii. Build and modify data collection.
    - iv. Consolidate and send payroll to CTRL (Common Time and Labor Reporting).
    - v. Build and modify map new work groups as needed.
    - vi. Build and modify FMR as needed.
  - c. Supplier will administer 24X7 Call Management/CTI /Voice Portal Call Routing Operations support to call centers in the States for Retail Markets, Repair, and Fiber Solutions Customer call traffic. Supplier will
    - i. Support of the Computer Telephony Applications (Genesys and EZInfo) that routes service level beneficial data; provide network /database/configuration management environment (CME) administration.
    - ii. Act as tier One/Two support for call routing issues via the Voice Portal to the local ACDs.

- iii. Administer/respond to tickets for issues and requests for BAU add, moves and changes.
        - iv. Report out on call volumes where necessary to support movement of work projects.
2. Call Delivery System Support. Supplier will provide support of the IVRU (Interactive Voice Response Units), utilized to provide call routing for the Consumer Maintenance and Provisioning Centers and the Automatic Call Distributors (ACD) utilized to get calls to the proper centers. The IVRU are comprised of the following portals:
  - a. National Operations Voice Portal – (NOVP) - Maintenance - Core Voice and Broadband.
  - b. Retail Markets Voice Portal – (RMVP) – Consumer Provisioning – Core Voice and Broadband.
  - c. Retail Spanish IVRU – (CCVRS) – Consumer Provisioning – Core Voice.
  - d. CTI Screening IVRU – Maintenance / Provisioning – Core Voice.
3. CSSC and BSSC Resource Management. Supplier will monitor and manage the staffing levels. Supplier will evaluate impact of holidays, seasonal events, and promotional and marketing campaigns and recommend the necessary staffing levels. Supplier will create and validate Force Management Reports (“FMR”) and Site/Center Reports
  - a. Force Management Reports. Supplier will produce daily FMR for each of the Consumer and Business Call Centers. The FMR reports provide detailed data concerning Call Center performance measured by call handling times, occupancy rates and force utilization rates, as well as the specific accounting for how time is being spent in the call center environments. FMR provide data pertaining to employee hours spent in Call Centers for on line work as well as for the time spent doing necessary off line work, vacations, initial and developmental training, days off, absence, and several categories of miscellaneous time.
  - b. Site/Center Reports. Supplier will provide Site/Center reports monitoring Calls Average Handle Time (“AHT”), site occupancy rate (“OCC”), Service Level (“SVL”), and Average Speed of Answer (“ASA”).
4. Call Center Systems and Metrics Support. The Supplier Call Center Systems and Support (CCSS) will manage and coordinate the collaboration between the external business partner (EBP) environment and internal Verizon IT regarding voice, data network, and systems. Specifically, Tier 1 support will be provided to assist partner in the fault isolation, triage, and escalation of call center voice, data network, and system issues. CCSS will facilitate escalation to Supplier’s level two entities as necessary. CCSS will provide communication to center personnel and appropriate levels of management for system impacting issues. CCSS will be responsible for coordinating and communicating any network changes or maintenance to Buyers. ID management will be provided for access to call center support systems owned by Supplier. CCSS will provide standard call center reporting to include executive summary reports, intraday reporting used for service level management, compliance, and performance metrics. The metrics team will provide system support Monday through Friday 7:00 AM PT to 5:00 PM PT and 24x7x365 support for system outages.

5. FTTP Installation and Maintenance (I&M) Support. Supplier shall provide the process support for FTTP I&M technicians who perform installation and maintenance of the Broadband FTTP service.
6. Core Voice Installation and Maintenance Support. Supplier shall provide the process support for I&M technicians who perform installation and maintenance of Core voice services for Retail and Wholesale core services.

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **PAOS.SAS.1 Sales Assurance and Support**

**Note:** This Service excludes any support for any ISP product sales, including the retail non-tariffed DSL offerings to end-users.

### **DESCRIPTION**

The Supplier will perform the following Sales Assurance Services

1. Channel Back Office Center (CBOC) services in support of Buyers' operations These services consist primarily of:
  - a. Customer interface for Win-back and natural return implementation for NE SRC and Portland/ Worcester NE BSRC.
  - b. Client support, implementation and error correction support to Fiber orders for business and consumer customer.
  - c. Error Correction Process and correction of pre and post completion order fall out for consumer and business customers.
  - d. Serve as customer and intra company interface by providing client support functions for consumer and business customers.
  - e. Processing of returned mail and correspondence for business and consumer customers.
  - f. Processing of consumer requests for Assistance Programs.
  - g. Account Maintenance support force consumer customers.
  - h. Directory listing error correction and service order writing for consumer, business, and wholesale customers
2. Sales Process Assurance services consisting primarily of Supplier centralized staff functions to identify quantify and correct process breakdowns that impact the Buyers' sales centers.
3. Billing Operations Support consisting primarily if issues resolution for LEC and LD billing process matters; Go-to-Market product billing requirements; tax and surcharge billing process support; Cofee system billing support; inter-Line of Business (LOB) interface; bill formatting.
4. Channel Product Support consisting primarily of the distribution and maintenance of up-to-date methods, training, and reference material. This Supplier group shall also provide daily field and staff support to the Buyers' sales channels.
5. Training & Vibe Support, consisting primarily of daily end user and author support relating to maintenance of existing reference material and implementation of new reference/communications in the Supplier knowledge management system, Vibe.
6. Scheduling Support for Consumer, Business and Channel Back office Operations Centers (CBOCs) through facilitation of weekly & bi-weekly calls and Learning Request tracking.
7. Sales Reporting and Tracking. This group is responsible for the creation, distribution and archiving of national and regional scorecards. This group is also responsible for the creation

and publication of accurate and timely reports needed for reliable objective setting, results tracking, action planning and decision making.

8. Sales Tracking. Supplier shall investigate missing sales for internal clients and create sales codes for employees to ensure accurate tracking of sales results.
9. Revenue Assurance, consisting primarily of identification, assessment and execution of comprehensive Revenue Assurance / recovery initiatives, claims process and adjustment management, including receivables management and the credit screening process.
10. CoFEE Channel Support. CoFEE support involves supporting all end users CoFEE clients located in the States. Support includes daily maintenance or modifications, and may involve after hours support for decision making and consideration as system outages occur and overall desktop migration and application impacts move forward. Support includes communication and maintaining desktop integrity for the sales channels to continue to operate and use CoFEE Ordering and CoFEE Billing desktop.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **PAOS.SYS.1 Systems Assurance and Support**

**Note:** This Service excludes support for any ISP systems.

### **DESCRIPTION**

The Supplier will provide the following Systems Assurance and Support functions to Buyers:

1. Supplier will support project management tasks associated with modifications, enhancements and updates to systems.
2. The supplier will test all monthly upgrades and enhancements of systems' environments for the Buyers in the areas of Voice platforms, products and services.
3. Supplier will support PC deployment, image maintenance, desktop issue resolution and on-site deployment for Buyers.
4. Supplier will provide Tier I system administration support for supported applications in the Buyers' Network centers encompassing User Help Desk Support, Release Management Coordination, Release Testing, IR & Change Control management, High Level Table Administration, Center Reconfiguration Coordination to support user reorganizations and Trouble Resolution.
5. During times of work stoppage, emergency or disaster, the supplier will deliver to Buyers, system guidance and access to systems to ensure continuity of service and support for its customers and to maintain its viability before, after, and during an event.
6. Supplier will deliver to Buyers the necessary Retail System/Desktop application support for existing billing and ordering systems.
7. Supplier will support Buyers by managing issues from the field and interacting with IT towards resolution. The supplier will provide BOSS ID Support and ROC Portal Support for the Buyers.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **RET.LVS.1 Livesource Operator Services**

### **DESCRIPTION**

1. Supplier will provide access to systems necessary to deliver the operator services, directory assistance and intercept services to the Customers in the States.
2. Supplier will provide force management scheduling to support a 24 X 7 operation on a 2 week in advance rolling schedule. Intra-day force adjustments will be available on a 7 X 17 X 365 days a week operation.
3. Supplier will provide LiveSource Assurance Center [LSAC] support and the LTS Operator workstation Support on a 7x24x365 to coordinate the administration and resolution of equipment and system related problems.
4. Supplier will continue to provide administrative support including the methods, procedures and training for Buyers' call centers.
5. Provide access to Operator Reference Database (ORDB) and related updates and support on a 7x24x365 basis.
6. In regards to the Line Information (LIDB) Database and the Customer Name and Address (CNAM) Database used for directory assistance, call completion and intercept services, the Supplier will:
  - a. Maintain and modify line record data associated with the residential and business Customers in the States in a Supplier maintained database. These line records will be available for both LIDB (3<sup>rd</sup> party billing) and CNAM (caller name information) queries by all industry entities who access the Supplier database on a 24x7 basis.
  - b. Store and maintain the Buyers line records
  - c. During the transition period, the following stipulations apply to query charges:
    - i. Supplier will incur no query charge for Supplier's LIDB and/or CNAM queries launched against the Buyers' line records that are stored in the Supplier LIDB database.
    - ii. Supplier will retain all query revenues associated with LIDB and/or CNAM queries launched by 3<sup>rd</sup> party companies against the line records of the Buyers that are stored in the Supplier LIDB database.
    - iii. Supplier will not charge Buyers for queries launched by Buyers against its line records that are stored in the Supplier's LIDB database
    - iv. Supplier will charge Buyers any 3<sup>rd</sup> party query charges incurred by Supplier on behalf of Buyers' end user Customers for LIDB and/or CNAM services
7. Supplier will reconfigure the distribution/queuing of OS/DA calls so that only States' originated calls are served in Buyers' call centers at the time of close and for the duration of the TSA period. [Nortel – DMS-200 – TOPS QMS]

### **ADDITIONAL REQUIREMENTS**

1. Buyers are responsible for the maintenance of workstation hardware in each call center.

2. Buyers must enter into 3<sup>rd</sup> party vendor agreements with the same repair vendors that Supplier uses in these states to facilitate the repair process,
3. Buyers will be responsible to staff call centers as directed by Supplier's National Force Management Center. The staffing must be a 24X7 operation.
4. Buyers must provide supplier with branding requirements and announcements 60 days prior to the close of the transaction.
5. Buyers will be required to purchase a server to house the EMPSx system (estimated cost is \$150,000). The server will be used to provide transition services and will be located in a Supplier facility but will be owned by Buyers. The server will be installed and maintained by Supplier. Buyers will have no access to the server during the term of the Transition Service agreement. After the Cutover, Supplier will deliver the server to Buyers.



## **RET.MKT.1 Voice Product Management & Development**

### **DESCRIPTION**

Supplier will provide:

- A. Product management support services which consist primarily of the following.
  - 1. Supplier will maintain the life cycle of residential voice products that exist immediately prior to Closing
  - 2. Supplier will develop regulatory costs in support of tariff filings and regulatory proceedings immediately prior to Closing.
  - 3. Supplier may in its sole discretion, grandfather residential services as a routine course of business prior to and during the term of the Transition Period
  - 4. Supplier will make available existing written documentation for products, systems and processes.
- B. Channel Integration and Marketing Interface services include:
  - 1. Supplier will support product pricing changes implemented prior to closing, consisting of the Go-to-Market process
  - 2. Supplier will support affiliate and promotional discounts implemented prior to the Closing, consisting of the Go-to-Market process.
  - 3. Product bundles and discounts stay in effect as they have been determined prior to the Closing, with no enhancements
- C. Customer Interactions
  - 1. Supplier will use its existing commercial names when interacting with customers
  - 2. Supplier will use its existing voice and electronic platforms when interacting with customers

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **RET.MKT.2 Business Services Group Support Service**

### **DESCRIPTION**

Supplier will provide Buyers with user access and administrative support for the systems used to provide sales, Customer contact, order entry, and billing inquiry and adjustment functions for the support to high value small business Customers.

1. Billing Inquiry – Supplier will provide access to the on line reference system, VIBE, which contains methods and procedures for billing inquiry as well as regular updates
2. Reporting – Supplier will provide access to Customer Care Index (CCI) metrics based on survey responses related to Customer interactions with Buyers representatives. Supplier will provide sales tracking and individual stack ranking reports to measure the performance of the sales organization.
3. Service Delivery – Supplier will provide the customer existing interfaces supporting the Voice Response Unit scripting and routing utilizing existing scripts, processes, and procedures existing today
4. Operations Communications and Process Management – Supplier will provide the Buyers with access to VIBE for Methods and Procedures and BSG Direct
5. Training and Development – Supplier will provide the Buyers representatives with access to existing training programs and maintain scheduling of the processes associated with training on sales skills and back office skills
6. Sales Support – Supplier will provide sales support and tools for small business products launched prior to the Closing date utilizing an existing Go-To-Market process.
7. Operations and Technology – Supplier will provide all necessary 800 number requirements and historical reports related to performance requirements by the Public Utility Commissions
8. Force Management – Supplier will provide access and support for Electronic Management Performance System (EMPS) for workforce scheduling.
9. Sales Force Management – Supplier will help monitor and validate Force Management reports against service levels.
10. Product Management – Supplier will provide regulatory costs in support of tariff filings, regulatory proceedings and existing individual case base contracts in the renewal process.
11. Channel and Marketing – Supplier will provide support for new business products launched in Supplier Retail Channels prior to closing via our Go to market process.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **RET.PUB.1 Per Call Compensation (PCC) Administration**

### **DESCRIPTION**

Per Call Compensation (PCC) represents payment for dial around calls, 800, 888, etc., when no coin is deposited in the payphone. The “billing” for these calls is conducted on a quarterly basis, and the payments from IXC carriers are received one quarter later. Carriers are provided with a Payphone Service Provider (PSP) ANI listing of in-service pay telephones that the Buyers own as of the last day of the quarter. The IXCs validate this PSP ANI list by comparing the information Buyers have provided with information they receive from each LEC. For those ANI's that are verified as belonging to Buyers, the IXC pays Buyers a set amount for each call completed over the IXC's network, in accordance with FCC regulations.

The following activities will be undertaken by the Supplier for the administration of PCC activity on behalf of the Buyers in the States during the transition services period:

1. A complete ANI list will be submitted to carriers by the last business day of the first month following the end of each calendar quarter.
2. Authorization and quarterly letters will be submitted to carriers by the last business day of the first month following the end of each calendar quarter.
3. Supplier will provide standard PCC reports (ANI lists, receivables, etc.) when appropriate.
4. When current PCC payments are received, Supplier will separate supporting detail for the Buyers payphones and send that information to the Buyers. **NOTE:** Supplier will remain the holder of record for these ANI's until the Buyer has established appropriate certification with the PCC Clearinghouses
5. Supplier will provide PCC overview and training to Buyers upon request, and with applicable charges being billed to Buyers to cover Supplier's expenses incurred in conducting training.
6. Supplier will reimburse Buyers the compensation that Supplier received for the activity in the States for the Quarter(s) in effect during the transition services period.
7. Supplier will interact with appropriate entity on Buyers side to establish a PCC report/revenue distribution process.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will not make changes to existing processes during the transition services period.
2. Buyers will initiate activity required to establish PCC Clearinghouse(s) certification.
3. Buyers must have PCC certification by end of Transition Period.

## **RET.PUB.2 Pubcom Commission Check Production Service**

### **DESCRIPTION**

Supplier will provide the following Commission Check Production Services related to the public communications assets of Buyers. These services are provided from a Supplier check printing facility work center located in Upper Darby, PA.

1. Supplier will process, calculate and remit commission payments to the Buyers' public communications sales agents on behalf of the Buyers.
2. Supplier will work with Buyers' Public Communications group to resolve check issuance situations that do not meet criteria for payment
3. Supplier will print and distribute commission checks and statements to Buyers pay telephone customers
4. Supplier will send EFT notification to Buyers banks, so that the bank may pay Buyers customers that are designated as electronic pay
5. Supplier will perform customer maintenance function to add new customers to the customer file or change address information as needed including the W-9 process.
6. Supplier will provide Buyers with the necessary information required to prepare 1099 forms at the end of the year
7. Supplier will perform general ledger account reconciliations on a monthly basis only if Buyers is sourcing both general ledger and accounts payable services from Supplier
8. Supplier will record customer check deposits, refunds, returned checks, and other checks and perform accounting functions accordingly.
9. Supplier will provide Buyers representatives with one (1) commissioning report monthly from the VEGAS system upon request. NOTE: Monthly reports reflect a one month lag in commission reporting.
10. Supplier shall not make any payments or disbursements on behalf of Buyers.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will provide Supplier with the appropriate bank account number from which to debit customer commission payments.
2. Buyers will provide Supplier with appropriate letterhead/stationery (paper stock and envelopes), or will provide Supplier with corporate graphics in .gif format in order for Supplier to have paper stock imaged for use in generating customer commission checks and statements.
3. Buyers must establish an internal Public Communications group. (see # 2 above)
4. Supplier will continue existing policies and procedures to retain commission payment detail data as required by law that supports all required regulatory obligations
5. Buyers will provide Supplier with the information and data required for Supplier to perform its duties herein.

### **RET.PUB.3 Pubcom Retail Customer Service**

#### **DESCRIPTION**

Supplier will provide the following Customer Contact Services to the Buyers related to the public communications organization from its National Public Sales & Service Center (NPSSC). The service is currently provided from a call center in Altoona Pa during the hours of 8:30 am to 5 pm ET. These services include:

1. Process inbound customer calls and requests for issues related to pay telephone services for Buyers' payphones. These services include:
  - a. Process orders for adds, moves and changes to existing service,
  - b. Provide for sales and installation of new service, including rate quotes for custom payphone services when applicable,
  - c. Resolve customers questions regarding the use of the pay telephone and related services,
  - d. Process requests for information about pay telephone usage,
  - e. Refer special requests to Buyers' Account Executive or comparable positions for contact or support.
2. Issue service orders for above-referenced items (when applicable) in existing service order system.
3. Process customer contact requests to issue refunds to customers for Billing disputes or credit balances consistent with current practices in the public communications organization.
4. Interact with Account Executives in response to customer inquiries or issues, and handle to resolution based upon input
5. Administer incoming customer mail and refer to appropriate group for handling of customer inquiries or issues.
6. Coordinate the administration and resolution of Public Utility Commission customer complaints referred via VeCTR complaint system. Respond to all issues timely.
7. Maintain existing service in the NPSSC as are maintained at the time of Closing for calls offered Access, Average Speed of Answer, and Speed of Issuance.

#### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

**RET.PUB.4 Pubcom Dispatch Service**

**DESCRIPTION**

1. The Supplier will provide the Buyers with dispatch services for installation, repair and collection functions related to Supplier-provided pay telephone services.
2. Provide Hand Held Terminal (HHT) support associated with the 8,100 Public pay telephone lines in the States.
3. Administrative support for the supervisors and associates working in this area
4. Hours of operation are Monday through Friday from 7:30 a.m. ET to 4:30 p.m. ET

**ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

**RET.PUB.5 Pubcom Coin Counting Service**

**DESCRIPTION**

Supplier will provide the coin counting service for the Buyers' payphone service provided in the States. This service includes the transporting, counting administrative support and disposition of all collected monies from coin phones for the Buyers.

**ADDITIONAL REQUIREMENTS**

1. Buyers will provide Supplier with appropriate bank account information so that deposits for the coins collected can be properly deposited after counting.
2. Buyers must enter into an agreement with TelcoSolutions Inc. to perform certain work including the processing of public payphone refunds. Supplier currently outsources the Customer refund process work.

## **RET.PUB.6 Customer Contact Center Service**

### **DESCRIPTION**

Supplier will provide the following Customer Contact Services to the Buyers related to the independently owned payphones operating in the States. The service is currently provided from a call center in New York, NY during the hours of 8 am to 5 pm ET. These services consist primarily of:

1. Process inbound customer calls and requests for issues related to pay telephone services for independent payphone providers. These services include:
  - a. Process orders for adds, moves and changes to existing service
  - b. Provide for sales and installation of new service, including rate quotes for services when applicable
  - c. Resolve customers questions regarding network service offerings and related services
2. Issue service orders for above-referenced items (when applicable) in existing service order system.
3. Process customer contact requests to issue refunds to customers for billing disputes or credit balances consistent with current practices in the Supplier organization.
4. Administer incoming customer mail and refer to appropriate group for handling of customer inquiry or issue.
5. Coordinate the administration and resolution of Public Utility Commission customer complaints referred via VeCTR complaint system. Respond to all issues timely.
6. Administer the tracking and reporting of Independent Payphone Providers vendor per call compensation data.
7. Maintain existing service as are maintained at the time of Closing for calls offered Access, Average Speed of Answer, and Speed of Issuance.
8. Upon completion of the transition services period Supplier will redirect the inbound customer call trunks to a TBD termination point identified by the Buyers.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.



## **RET.PUB.7 Smart Set Management Service**

### **DESCRIPTION**

Supplier will provide system provisioning for all lines with smart sets within the States. The service will be provided from the Gemini center during the hours of 8 a.m. to 5 p.m. ET Monday through Friday and the TAC center during the hours of 8 a.m. to 5 p.m. CT Monday through Friday. This service consist primarily of:

1. Provide for the provisioning and maintenance of the smart set functionality.
2. Ensure diagnostics via MRS are providing maintenance tickets.
3. Investigate activity reports.
4. Maintain coin telephone smart set chassis instruction integrity.
5. Provide single-point-of-contact (SPOC) for trouble resolution for rating and routing anomalies.
6. Upon completion of the transition services period Supplier will remove all smart set lines from the respective databases.

### **ADDITIONAL REQUIREMENTS**

1. Buyers must establish their own smart set platform and/or procure these services from an appropriate entity, and will work with Supplier to implement a smooth transition of services from the Suppliers platform to the TBD smart set platform.

## **VPS.SR.1 Wholesale Service Requests**

### **DESCRIPTION**

Supplier will provide the following services to the Buyers' wholesale and enterprise Customers:

1. Local Service Requests (LSR) pre-order and order: Supplier will make its systems available to Buyers' wholesale Customers for pre-order validations. Buyers' wholesale Customers will send electronic service requests using Supplier's available systems. Electronic LSR are received via a direct data link or are manually sent to Supplier. Fallouts are handled by Supplier's service representatives who directly interface with the Buyers' wholesale Customers, field personnel, or Central Office personnel when necessary.
2. Access Service Requests (ASR) pre-order and order: Supplier will make its systems available to Buyers' wholesale Customers for pre-order validations. Buyers' wholesale Customers will send electronic service requests using Supplier's available systems. Electronic ASR are received via a direct data link or are manually sent to Supplier. Fallouts are handled by Supplier's service representatives who directly interface with the Buyers' wholesale Customers, field personnel, or Central Office personnel when necessary.
3. LSR and ASR provisioning: Supplier will provide provisioning coordination for LSR and ASR through its provisioning centers. Supplier will interact with Buyers' field and Central Office personnel to coordinate the successful provisioning of wholesale services.
4. LSR trouble administration: Supplier will make its systems, and website, available to Buyers' wholesale Customers for troubleshooting LSR. The Supplier National Operations Center will receive trouble reports electronically or via telephone. : Supplier will make available to Buyers the necessary contact information for ordering, provisioning, and troubleshooting of Local Service Requests.
5. ASR trouble administration: Supplier will make its systems, and website, available to Buyers' wholesale customers for troubleshooting ASR. The Supplier will accept trouble reports electronically or via telephone. Supplier will make available to Buyers the necessary contact information for ordering, provisioning, and troubleshooting of Access Service Requests.
6. Subscription Services: Supplier will provide CARE (Customer Account Record Exchange) functionality to Buyers using the Xpress Electronic Access (XEA) system. CARE will be provided to Access Customers (ACs) for CARE transactions currently supported by XEA and will include provision of CARE products to ACs that subscribe to such services. CARE records will be provided to the respective ACs for AC initiated activity as well as end user/business office initiated activity.
  - a. Supplier will provide CARE to ACs on behalf of the Buyers for AC initiated PIC changes, product requests by ACs, and end user initiated activity via Supplier's business offices.
  - b. Supplier will provide EAPOC (Equal Access Point Of Contact) services to ACs on behalf of Buyers.
  - c. Supplier will provide billing extracts from XEA to the Supplier's CABS (Carrier Access Billing System) system for billing CARE product related activity.
  - d. Supplier will utilize XEA, under current operating practices, to provision appropriate AC initiated PIC change requests.

- e. Supplier will maintain AC customer profiles and AC requested methods of CARE delivery using current provisioning processes.
  - f. Supplier will complete the necessary table updates in XEA in order to maintain AC and supplier network arrangements and AC CIC participation.
7. MCO & ECS Support Services: Supplier will provide methods and procedures support for Special Services installation and maintenance activities for Enterprise Customers, Special and Switched access ordering, installation, and maintenance activities for wholesale Customers, and Customer Care Center ordering and billing of ILEC services for Enterprise Customers.
8. Wholesale Bill Processing Support Services: Supplier will provide the following billing services to the Buyers
- a. Build/maintain CABS tables and databases
  - b. Perform daily/cyclic/monthly system balancing
  - c. Maintain CABS processing schedule
  - d. Perform post bill verification (rates, formats, calculations, etc.)
  - e. Usage error correction
  - f. Bill inquiry services
  - g. Treatment & Collections services, consisting primarily of 3rd Party notifications interface(s) and Customer notification systems.
  - h. BDT/Paper bill release
  - i. Supplemental billing of miscellaneous products (QLIBS, MABS, TAS, Excel)
  - j. Perform user acceptance testing on CABS system releases
  - k. Perform billing system business requirements
9. Customer Information and Communication Services: Supplier will provide the following Customer information and/or information access services:
- a. Performance Assurance Plan Reports
  - b. Customer unit/revenue database access (Intelligence)
  - c. Ventana Reference and Training Tools
  - d. Industry Letters
10. Field Operations Support: Supplier will provide support for station premise installation and repair work activities of Buyers' field forces who support Wholesale, Enterprise (POTS & Specials) and General Business special service customers.
11. CLEC Project Management Service: Supplier will provide collocation related support from receipt of an application to final billing of the arrangement. Supplier will also provide project management support of all large CLEC and IEC switch efforts and SS7 Certifications for all customers. Supplier will provide E911 Services. Supplier will provide carrier subscription Services for PIC and LPIC.
12. Fast Packet and Enhanced Product Support: Supplier will provide Fast Packet (Frame Relay, ATM, TLS, IP/VPN and GigE) provisioning and maintenance support for wholesale

and retail customers. Supplier will also provide support for Direct Internet Access (DIA), Domain Name Email (DNE), Domain Name Services (DNS) for Broadband (DIA, Fiber, DNE and DSL) and ISDN LAN services connectivity.

13. Enterprise Ordering and Billing Support: Supplier will provide Buyers with customer contact, order entry and billing inquiry and adjustment functions for enterprise customers.
  - a. Supplier will complete 800# call forwarding requirements for enterprise customer contact calls for ordering and repair.
  - b. Supplier will complete the programming access changes reasonably requested for Buyers to access customer accounts and records and route orders through the provisioning departments for service implementation.
  - c. Supplier will deliver reasonably requested customer data to the Buyers pertaining to regulated services and associated billing records and profiles.
  - d. Supplier will deliver historical reports pertaining to the contact center operations and performance as set forth by the Public Utilities Commission.
  - e. Supplier will provide administrative support for legacy systems and processes.
  - f. Supplier will maintain records of order volumes and measurements.

#### **ADDITIONAL REQUIREMENTS**

1. Wholesale Bill Processing Requirements:
  - a. Buyers will provide an interface to Supplier's Wholesale customer billing management function for billing operations, financial management, regulatory and production support issues coordination.
  - b. Buyers will pay postage/overnight delivery charges for bill mailing at the actual rates incurred each month.
  - c. Buyers will provide any bill inserts to be included in bill mailings within the Supplier's bill insert parameters.
  - d. Buyers will incur cost of any 3rd Party collection service.
2. Enterprise Ordering and Billing Requirements:
  - a. Buyers will adhere to service standards as stipulated by the Public Utilities Commission and as otherwise reasonably requested by Supplier.

## **VPS.DB.1 LNP, 8XX, SS7 Database Services**

### **A. LOCAL NUMBER PORTABILITY**

#### **DESCRIPTION**

LNP is an advanced intelligent network capability which utilizes the common channel signaling network to query a database to secure network routing instructions before completion of a call. This database contains the Location Routing Number (LRN) that identifies the switch of the local exchange carrier that serves an end user with a ported directory number. The LRN is used to direct the call to the correct network switching element for completion to the end user. Where more than one network is involved in completing the call, the network carrier transporting the call prior to termination (the N-1 Network Carrier) is normally responsible for querying a SPNP database to secure the LRN which is then used in routing the call.

When an N-1 Network Carrier queries the Buyers to obtain an LRN ("LNP Database Query"), the Supplier will provide access to and use of its LNP database by the Buyers.

When an N-1 Network Carrier does not perform its own LNP database query, and forwards an unqueried call to an end office or tandem switch in the Buyers' network for a NXX designated as a number portable code in the National Exchange Carrier Association Inc. F.C.C. No. 4, the Supplier will provide access to and use of its LNP database to the Buyers for purposes of completing an LNP query ("LNP Default Query").

For both LNP Default Queries and for LNP Database Queries, Supplier will return all LRN routing information to Buyers using industry standard SS7 TCAP messaging format.

#### **ADDITIONAL REQUIREMENTS**

1. LNP Default Query
  - a. Buyers will maintain connectivity to Supplier's STP pairs where the Supplier's LNP databases are located.
  - b. Buyers will send all LNP queries to the Supplier's LNP databases using industry standard SS7 TCAP messaging format
2. LNP Database Query
  - a. Buyers will initially receive the LNP database queries from the LNP Database Query customer at Buyers' STP pair.
  - b. Buyers will pass thru all LNP database queries to the Supplier's LNP databases using industry standard SS7 TCAP messaging format
  - c. Supplier Buyers will be responsible for passing LRN information back to the inquiring carrier.
  - d. Buyers must establish a relationship with Neustar to administrate the LNP activity. Neustar performs the LNP administration activity for the telecommunications industry

### **B. 800 DATABASE ACCESS SERVICE**

#### **DESCRIPTION**

1. Supplier will provide Buyers 800 Database Access Service. The service provides the call screening and routing information needed to switch route toll-free originating traffic. Supplier's 800 Database Access Service will accept 8xx queries from and provide responses to Buyers' queries from Supplier's 800 Data Base as requested, including Automatic Message Accounting, routing information, call status and maintenance and control information.
2. Supplier will provide Buyers with continued access to the 800 Database through the current SS7 connections.
3. Supplier will store toll free data in the Supplier 800 Database in the same format used by Supplier for its own data and will permit access to the Buyers for toll free queries.
4. Supplier will provide a Response to each Query transmitted by Buyers to the Supplier 800 Database.
5. Use of Data
  - a. Supplier will maintain an 800 database which contains toll free records, including call processing information.
  - b. Supplier shall not be liable for any fraud or uncollectibles experienced by Buyers on 8xx queries where the carrier selection was determined through the utilization of 800 Database Access Service.
  - c. Supplier shall not be liable for inaccuracies in the information stored in the 800 database where the carrier selection was determined through the utilization of 800 Database Access service.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will provide the list of required information as follows: company name, each LATA, CLLI code for each SSP, originating point codes, NPA/NXX of OSS system which originates queries.
2. 800 Database Query:
  - a. Buyers will launch 8xx queries to the Signaling Transfer Point (STP) where Buyers interconnects with the Supplier SS7 network. Buyers must connect with a Supplier STP in order to query the Supplier query the Supplier Signaling Control Point (SCP) (800 Database).
  - b. All queries to the Supplier database shall use the query and response formats set forth in the appropriate section of the Telcordia publication TR-TSY-000024.
  - c. Buyers acknowledges and agrees that the SS7 network overload due to extraordinary volumes of queries and/or other SS7 network messages can and will have a detrimental effect on the performance of the Supplier's SS7 network. Buyers further agrees that Supplier, in its sole discretion, shall employ certain automatic and/or manual overload controls within the Supplier's SS7 network to guard against these detrimental effects. Supplier shall report to Buyers any instances where overload controls are invoked due to Buyers' SS7 network and Buyers agrees in such cases to take immediate corrective actions as are necessary to cure the conditions causing the overload situation.
3. Use of Data

- a. Buyers will not perform any functions which are not expressly provided under this Agreement, nor access data contained in the 800 database which belongs to any other entity.
- b. Buyers will not store, copy, maintain or create any table or database from any response received after initiating an 8xx query to the Supplier's 800 database.

**C. SS7 Interconnection Services**

**DESCRIPTION**

1. Supplier will provide SS7 interconnection and transport services to the Buyers.
2. Supplier will route SS7 messages to/from its STP pairs to various applications which utilize SS7 messaging (LIDB, LNP, etc.)

**ADDITIONAL REQUIREMENTS**

1. Buyers will provide the SS7 links to interconnect existing switching centers and/or STPs to the Supplier's STP pairs.

## **VSO.FO.1 Payroll and Time Reporting**

### **DESCRIPTION**

Supplier will perform Payroll and Time Reporting services for Buyers in support of operations in the States consisting primarily of:

1. Calculate payment to employees based on a standard time reporting Weekly and Biweekly pay cycles will be supported for Buyers employees. Payroll processing will be handled through On-cycle and Off-cycle processing.
2. Record and report additional earnings as transmitted by Buyers to Supplier's designated payroll service center for payment and recording in employee earnings, These items consist primarily of:
  - a. Awards
  - b. Discretionary bonus
  - c. Incentive compensation payments
  - d. Sales incentives/Commissions
  - e. Retroactive payments
  - f. High housing cost allowances
  - g. Cost of living adjustments
  - h. Field premiums
  - i. Site allowances
  - j. Per diem
  - k. Sign on bonus
  - l. Imputed income
  - m. Tuition aid
  - n. Military pay/jury duty
  - o. Short Term Disability payments
  - p. Workers Compensation
  - q. Vehicle allowance or usage for personal or company owned vehicles
  - r. Tax gross-ups when required.
  - s. Other, consistent with prior practice and reasonably requested by Buyers.
3. Maintain earnings and deduction codes tables within Supplier's PeopleSoft HCM payroll system.
4. Record, report and remit (live checks via Supplier's Accounts Payable or via ACH Wires via Supplier's Treasury Department) employee deductions, (Deductions can be less than before sale but no new deductions will be established post Close Date) sent by Buyers for inclusion in employee master file. Deduction funding will be handled by Buyers with Supplier's Treasury Department and deduction remittances will be processed in the same manner as before close i.e., ACH vs. Accounts Payable live checks. These deductions consist primarily of:
  - a. Savings and Investment deductions (401K)
  - b. Garnishments, Child support, Bankruptcy, IRS Levy deductions, & other such deductions



- c. Flexible Reimbursement Plans (FRP)
  - d. Insurance deductions
  - e. Bond deductions
  - f. Health Clubs
  - g. Union Dues
  - h. Other miscellaneous deductions consistent with prior practice
5. Record into Supplier's payroll processing system- PeopleSoft HCM, Credit Union or Bank additions/changes/deletions for direct deposit transactions submitted by Buyers employees to Supplier's payroll service center.
  6. Calculate, record, and remit payroll taxes (Federal, State, Local, Unemployment, and FICA) to the appropriate government authorities for Buyers. The Supplier for Buyers will handle all related tax filings. The processing of payroll ACH tax payments will be handled by Supplier's Treasury organization. Supplier will handle remittance processing in the same manner as prior to the Close Date. – i.e., via ACH or Accounts Payable.
  7. Remove Buyers from current tax processing utilizing Supplier's Common Pay Agent. Payroll taxes will be filed and remitted for one Buyers legal entity.
  8. Record into Suppliers payroll processing system-PeopleSoft HCM, W-4s (employee tax withholdings) submitted by Buyers employees to Suppliers payroll service center.
  9. Process annual W-2s and related reporting on behalf of Buyers. Distribution of annual W-2s will follow paycheck/advice distribution. Supplier will provide Buyers with annual W-2 related information for their processing of annual W-2s for the particular year in process. Supplier will provide Buyers with data needed to meet annual W-2 reporting requirements.
  10. Print and distribute payroll checks and advices to Buyers' work locations. Buyers will incur all overnight courier services required for paycheck/advice distribution, as required.
  11. Maintain check distribution using Maildrops and Paymaster functionality.
  12. Provide manual checks as required. Supplier will charge per item additional fee for this processing.
  13. Reconcile Buyers' general ledger payroll accounts during such periods that Buyers uses Supplier's payroll system and general ledger system.
  14. Transmit payroll files to update Buyers' General Ledger.
  15. Provide interface files for processing deductions, taxes, bank files i.e., direct deposit transactions with vendors, financial institutions, courts, labor agencies on behalf of Buyers in the same manner as prior to close and Treasury Operations files. Includes mechanized feeds automatically transmitted to Accounts Payable, bank file containing direct deposit for Net Pay, tax files for processing tax payments.
  16. Supplier will enter Buyers employees (FT, PT) exception time reporting into payroll processing systems –PeopleSoft HCM (holiday, overtime, shift hours and differential, on call hours and other work hours). Buyers will be responsible for submission of exception information via Supplier's time entry system at the time of close or any successor system.
  17. Supplier will provide customer support for phone inquiries about employee payroll activity via Suppliers 800 number.
  18. Supplier will continue existing policies and procedures to retain data/records required by law that supports normally required tax and regulatory obligations.

19. Supplier will fully test paycheck and advice with the bank upon receipt of company name, bank account information, company logo, and treasurer signature. Required at a minimum of five (5) weeks prior to transitional services being implemented.
20. Supplier will be required to determine if the Buyers will be required to register in each state to conduct business in the states, due to name change. Supplier will establish unemployment tax set up in each state with employees working in those states.
21. Supplier will continue to provide payroll and time reporting support in a controlled environment meeting the standards required for financial reporting compliance with Sarbanes-Oxley.

### **ADDITIONAL REQUIREMENTS**

The requirements of the Buyers are:

1. Buyers agree to utilize Supplier's current systems or any successor systems. Further, Buyers agree to make its employees available for any required training to properly utilize such systems.
2. Buyers employees will continue to use Supplier Self Service functionality as well as Payroll Services Voice Portal for access to employee current and prior pay-stubs, W2s as well as change, add or delete transactional information, i.e. direct deposit account information, W4 tax information etc.
3. Buyers shall use then existing processing schedules and calendars.
4. Buyers must independently negotiate terms with the same third party vendors used prior to the Closing Date. Failure to negotiate such terms will result in the termination of deductions reporting.
5. Buyers will ensure that Supplier PAC and Supplier PIP-Charitable Contribution deductions will be discontinued for all Buyers employees.
6. Buyers will consolidate all of its employees into a single legal entity. A new company will be established and registered in the states which Buyers will provide services. The new company will have its own FEIN. Buyers will provide company name, bank account information, company logo, treasurer signature at a minimum of five weeks prior to Supplier providing Transition Services.
7. Buyers to use Supplier's time reporting system of record at close. If Supplier replaces current time reporting system i.e., Workbrain, Buyers will make personnel available for required training at a date and time mutually agreed upon with Supplier.
8. Buyers will conform to all Supplier's policies as it applies to security and data protection and Buyers will comply and make necessary changes within a reasonable timeframe to meet those requirements
9. Buyers will attain transitional service agreements with Supplier organizations which allow continuance of payroll and time processing in the same manner as pre Close Date:
10. Human Resources (Employee Service Center (ESC), Absence Management (STD), etc Vendor contracts to be established and maintained for the Transition Services period.
  - a. Treasury - ACH Remittances
  - b. Accounts Payable

- c. General Ledger
- d. Information Technology

11. Buyers will identify the single Legal entity, which will house the employees and be a party to this TSA.
12. Buyers will assume direct billing for All US mail postage and overnight courier costs for the distribution of pay checks, pay stubs, or W2s will be incurred by Buyers.

**VSO.FO.2 Accounts Payable**

***NOTE: This service is provided only for the local exchange telephone business of NNETO, and does not provide any transition support to any other portions of the Spinco Business.***

**DESCRIPTION**

1. Supplier will receive and record invoices for purchase order related items that are mailed directly to Supplier's Accounts Payable Shared Services Center ("AP/SSC") by NNETO' vendors. The AP/SSC is located at 770 Elm St., Manchester, NH 03101. Hours of operation for the Accounts Payable Shared Services Center are 7 AM ET to 5:30 PM ET.
2. Supplier will receive and record miscellaneous purchases that are approved by the appropriate NNETO supervisor and mailed to the AP/SSC.
3. Supplier will process expense reports and invoices, from submission to notification.
4. Supplier will enter accounts payable transactions on behalf of NNETO. This information will be processed and transmitted weekly to the NNETO' General Ledger.
5. Supplier will work with NNETO' purchasing group to resolve invoices that do not meet existing criteria for payment.
6. Supplier will print and distribute checks to NNETO vendors.
7. Supplier will maintain level of security for the equipment and check stock consistent with Supplier's existing policies.
8. Supplier will send EFT notification to NNETO banks, so that the banks may pay NNETO' vendors that are designated as electronic pay.
9. Supplier will perform vendor maintenance function to add new vendors and/or employees to the vendor file or change address information as needed.
10. Supplier will mail W-9 forms to new vendors to obtain vendor's tax identification. Supplier will provide NNETO with the necessary information required to prepare 1099 forms at year-end.
11. Supplier will perform general ledger account reconciliations on a monthly basis only if NNETO is sourcing both general ledger and accounts payable services from Supplier.
12. Supplier will record vendor check deposits, refunds, returned checks, and other checks and perform accounting accordingly.
13. Supplier will establish and maintain recurring payment accounting as requested.
14. Supplier will continue existing policies and procedures to retain expense detail data as required by law that supports all required tax and regulatory obligations.
15. Supplier will provide NNETO' representatives with electronic access to A/P scanned records.
16. Supplier shall not be obligated to make any payments or disbursements on behalf of NNETO.
17. Supplier will perform duplicate prevention and recovery functions.

**ADDITIONAL REQUIREMENTS**

1. NNETO will provide Supplier with information and data required for Supplier to perform its duties herein.

### **VSO.FO.3 Customer Billing Operations**

#### **DESCRIPTION**

The Supplier will perform Customer Billing Operations functions required for Customers in the States. The services will be performed in the same manner and using the same systems that are used prior to Closing. The services that the Supplier will perform are:

1. Toll investigation and error correction services consisting primarily of the correction of usage errors, guide errors, WATS errors and paper toll discrepancies.
2. One Stop Investigation functions consisting primarily of investigating and determining corrective action for business office customer billing inquiries. Billing inquiries include: refunds, misapplied payments, toll billing issues, and billing adjustments and transfers.
3. Independent Company Billing function consists primarily of manual billing for certain Independent Telephone Companies in New England. Manual billing functions include preparation & mailing of bills, posting of charges/adjustments, payment of settlements, revenue/cash reporting and reconciliation. Invoiced items include charges for Directory Assistance, Call Completion, SS7 and Annual Lease Agreements.
4. Miscellaneous Customer Billing Operations functions consisting primarily of Final Written Off account management, miscellaneous manual adjustments, UCI error correction, Calling Card requests, DAK investigation, tax exempt request processing, miscellaneous refund requests and cash and toll header processing.
5. Supplier will provide cost recovery billing reports.

#### **ADDITIONAL REQUIREMENTS**

The requirements of this service are:

1. Buyers will not make changes to any bill format or payment remittance stub.
2. Buyers will not make changes to the structure and composition of the customer account number and bill number will not change.

**VSO.FO.4 Special Projects Billing & Claims Processing Services**

**DESCRIPTION**

Supplier will provide the following Special Projects Billing Services to Buyers:

1. Receive and post Miscellaneous Billing Requests to bill services such as joint pole billings, rentals and any services not billable through other billing systems. Billing and Receivables will be recorded in the general ledger provided on the Closing Date.
2. Receive and process plant and motor vehicle damage report and costs.
3. Perform Plant cost recovery for highway or plant relocations
4. Process billing corrections, adjustments, cancellations and write-offs.
5. Manage vendor activities associated with the collection of plant and motor vehicle property damage receivables.
6. Supplier will provide cost recovery billing reports.
7. Payments will be processed by Supplier's remittance centers in Hunt Valley, MD or Cranford, NJ. Payment files will be processed in MARS.
8. The structure and the composition of the customer account number and bill number will not change. Hours of operation for Special Projects Billing Services are 8:00 to 4:00 ET.

**ADDITIONAL REQUIREMENTS**

1. Buyers will not make changes to the bill format and payment remittance stub.

## **VSO.FO.5 Remittance Processing Service**

### **DESCRIPTION**

Supplier will perform payment processing and payment error correction for Buyers. Supplier will:

1. Receive and process payment sent to Supplier's Remittance Processing Center (RPC) in Menands NY or Hunt Valley MD. This consists primarily of extraction, data & image capture, keying, check encoding, conversion of eligible consumer payments to Accounts Receivable Conversion as well as the creation of the bank deposit and payment posting file. The existing remittance addresses are: Post Office Box 1, Worcester MA 01654-0001 (BCRIS), Post Office Box 15151, Worcester MA 01615-0151 (Long Distance), Post Office Box 15071, Albany NY 12212-5071 (BCRIS Pre-collects), Post Office Box 1939, Portland ME 04104-5010 (NE BCRIS RAO 3), Post Office Box 9778, Portland ME 04104-5078 (Long Distance), Post Office Box 37210, Baltimore MD 21297-3210 (CABS – Carrier) and Post Office Box 37288, Baltimore MD 21297-3288.
2. Investigate payments received without complete and accurate customer account information.
3. Investigate payments that do not match a record in the billing system
4. Investigate customer payment claims.
5. Use commercially reasonable efforts to deposit all customer checks daily to the bank or send electronic ACH (Automated Clearinghouse) file with ARC transactions.
6. Transmit posting file with current day's processing activity to the Supplier's IT billing system mainframes.
7. Supply necessary information to balance payment processed with bank deposit and posting file.
8. Supplier will implement a trickle cash process (60-90 days) after the billing migrates from Supplier. Supplier will continue to process any payments received during this period.
9. Electronic files will be transmitted in either a standard EDI 820 format, E-mittance proprietary format or the Supplier's comma delimited format.
10. Supplier will maintain the then existing process for Change of Address Requests should Buyers choose to have the form remain on the back of the payment page.
11. Supplier will maintain the then existing process for customer enrollment to the Direct Debit Payment Option (DDPO) should Buyers choose to have this form remain on the back of the payment page.
12. Supplier will produce then existing reports used for daily balancing and reconciliation.
13. Supplier will assist Buyers to resolve items that do not meet existing processing criteria.
14. Supplier will assist Buyers to resolve issues related to processing of customer payment claims.
15. Supplier will process Buyers checks and create paper/electronic bank deposits
16. Supplier will enter Buyers processed checks in daily bank deposit.
17. Supplier will maintain then existing level of security for the RPC and payments.



18. Supplier may decline, in its sole discretion, to provide custom reports or software.
19. Maine Regulators require remittances to be mailed to an in state location. Supplier utilizes a third party a courier to drive the remittances (Monday – Saturday) from Portland ME to Worcester MA where the work is combined with other New England payments and sent to the Menands RPC.

**ADDITIONAL REQUIREMENTS**

1. Buyers will maintain the existing depository bank relationship.
2. Buyers will establish their own contracts with payment agents. Supplier will process the payments taken by the agents.
3. The Buyers assume responsibility for the payments to payment agents.
4. It is the Buyers' responsibility to negotiate the courier contract with this same courier to continue to perform this delivery service during the transition period. The approximate cost is \$150 per day.

## **VSO.FO.6 Emittance Payment Processing Service**

### **DESCRIPTION**

Supplier will perform electronic payment processing and payment error correction for Buyers' remittances that are received electronically. The service includes:

1. Processing and matching electronic payments with accounts receivable systems within various billing systems.
2. Investigation and resolution of the payments that cannot be matched with the Supplier's current accounts receivables systems. eMittance creates electronic payment posting files and transmits to the billing systems. eMittance stores all electronic payment files, provides online cash control reporting and balancing, online electronic payment exception and error correction with a knowledge database, payment investigation, and vendor error feedback for report cards.
3. Supplier will provide Buyers with remittance bank return processing services comprised of:
  - a. Process returns that are received via BONY centralized dishonored check process.
  - b. Investigate returns received that do not match payments in the billing system.
  - c. Investigate customer payment/return claims.
4. Supplier will produce the then existing reports used for daily balancing and reconciliation,
5. Supplier will assist Buyers as reasonably requested on issues related to processing of unidentified payments/returns and in the resolution of item that do not meet existing processing criteria.
6. Supplier will assist Buyers as reasonably requested on issues related to processing of customer payment/returns claims
7. Supplier will enter Buyers processed payments/returns on nightly payment posting files.
8. Supplier will maintain the level of security for the RPC and Payments/returns consistent with Supplier's then existing Policies.
9. Supplier is under no obligation to provide custom report or software.
10. Supplier shall not process payments from non-contracted, unauthorized payment agents.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will maintain the then existing bank relationship.
2. Buyers must enter into agreement with the existing Payment Agent CheckFreeePay (formerly American Payment Systems) to perform these same payment services as the vendor currently provides Supplier.
3. Buyers must enter into agreement with the consolidators mentioned in # 10 above to authorize the acceptance of payments from these unauthorized agents.
4. Buyers shall negotiate their own bank fees and be responsible for all resulting costs, fees, and expenses.

**VSO.FO.7 Return Check Processing Services**

**DESCRIPTION**

Supplier will provide Buyers with remittance bank return processing services comprising of:

1. Process returns that are received via BONY centralized dishonored check process.
2. Investigate returns received that do not match payment in the billing system.
3. Investigate customer payment/return claims.
4. Supplier will assist Buyers as reasonably requested on issues related to processing of unidentified payments/returns and in the resolution of items that do not meet existing processing criteria.
5. Supplier will assist Buyers as reasonably requested on issues related to processing of customer payment/returns claims.
6. Supplier will enter Buyers processed payments/returns on nightly payment posting file. Supplier will produce the then existing reports used for daily balancing and reconciliation.

**ADDITIONAL REQUIREMENTS**

1. Buyers will maintain the existing bank relationship.
2. Buyers shall negotiate the bank fees and be responsible for all resulting costs, fees, and expenses.

**VSO.FO.8 Bill Print And Distribution Center**

**DESCRIPTION**

Supplier's Bill Print & Distribution (BP&D) Center will provide billing service, enclosing and distribution services and printed output media services to the Buyers.

**ADDITIONAL REQUIREMENTS**

1. Buyers shall provide print data files in AFP format along with associated PDF and K48 –type files for manifesting.
2. Buyers shall provide associated Streamweaver created reports for balancing and statistical tracking.
3. Buyers shall provide print data files in accordance with existing bill statement mailing schedules to accommodate meeting PUC/PSC requirements.

### **VSO.SUP.1 Fleet Support Center Services**

#### **Description**

Supplier will provide Buyers employees access, use and administrative support to systems to perform the invoice payment process and the fuel process operations for the vehicle fleet.

1. Supplier will monitor bulk fuel sites daily and order fuel as needed. If repairs are needed, trouble calls will be made to Buyers personnel as prescribed by Buyers.
2. Supplier will provide call center services for the dispatch of work and creation of work orders within the fleet system.
3. Supplier will process fuel invoices through the vendor payment process and commercial fuel logs will be maintained.
4. Supplier will deliver to Buyers vendor and invoice records through access to FleetTracker.
5. Supplier will provide within a reasonable time existing reports regarding the historical maintenance and repair of vehicles, mobile tools and trailers obtainable through the FleetTracker system. The reports are the reports required by the governing Public Utilities Commission.
6. Supplier will retrieve all Voyager fuel credit cards on the Closing date.
7. Supplier will pull insurance cards from all vehicles effective with the Closing date.
8. Supplier will remove all IFTA / IRP apportionment tags effective with Closing date.

#### **ADDITIONAL REQUIREMENTS**

1. Buyers must negotiate new contracts for the purchase and provisioning of fuel for all vehicles and mobile tools.
2. Buyers will arrange for all vehicle maintenance and repair services with new vendors or with existing Supplier vendor(s).
3. Buyers is responsible for all vehicle expense incurred after the Closing date.
4. Buyers is expected to assume full responsibility for all affected Supplier maintenance and repair facilities per the contract.
5. Buyers must provision insurance cards prior to Closing so that all vehicles are properly insured.
6. Buyers will apply for the appropriate IFTA/IRP documents and secure apportionment tags in advance of Closing so these vehicles are properly tagged for daily operation.
7. Buyers will be responsible for assuring vehicle titles are properly transferred and vehicles are licensed in accordance with the laws of the state.
8. At the Buyers discretion all manufacturers' warranties and service contracts should be transferred to the Buyers. Any charges and fees to facilitate this transfer will be the Buyers responsibility.

## **VSO.RE.1 Centralized And Portfolio Management Services**

### **DESCRIPTION**

Supplier will provide administrative support services with respect to lease administration, real estate transactions and real estate strategic planning activities required for the Owned Real Property and Leased Real Property in the States. These services include the processing of service orders, processing and payment of invoices and other administrative support services. These activities consist primarily of:

1. Prepare and submit monthly lease invoices for payment.
2. Negotiate lease renewals and lease terminations under the direction of the Buyers.
3. Manage real estate administrative space portfolio (including life cycle and exit strategy for each property).
4. Provide Buyers with access to a web interface to enter work requests electronically.
5. Process for payment approximately 4,000 utility invoices / 800 non-utility invoices thru the National Invoice Center (NIPC).
6. Record approximately 1,200 hours performing building & environmental alarm monitoring, response and mitigation activities and provide automation and alarm technical support for systems trouble shooting and resolution of alarm strings/site setups.
7. Process for approximately 2,300 calls / 300 work orders on the web for the Customer Service Center (CSC)
8. Provide Buyers with access to CRESS to manage work requests, receive alarm notifications, and approve invoices.
9. Provide Buyers with ARC access to automation systems.

### **ADDITIONAL REQUIREMENTS**

Buyers will provide Supplier with authorization to Buyers' suppliers to process invoices and manage appropriate accounts.

## **VSO.RM.2 Live And Finals Collection Support**

### **DESCRIPTION**

Supplier will provide Buyers with user access and administrative support for the systems used to provide credit and collection support, Customer contact, order entry and billing inquiry and adjustment functions for their residential and small businesses Customers in the States. The support services are comprised of:

1. Supplier will provide system access and administrative support for the Receivables Management function.
2. Supplier will support the planning and development of billing and receivables initiatives undertaken prior to Closing.
3. Supplier will provide Buyers access to its online reference platform ("EZR"), which contains methods and procedures for billing and receivables management. Supplier will provide methods and procedures and provide updates as reasonably requested by Buyers.
4. Supplier will provide billing and receivables consulting services to assist Buyers maintain its customer service levels existing prior to Closing.
5. Supplier will support the implementation of billing processes for new products announced by Buyers prior to the Closing Date.
6. Supplier will provide its then existing error correction queuing processes managed through Work Flow Manager (WFM) and Error Reporting Managing Application (ERMA).
7. Supplier will provide the Buyers access to training programs and maintain the scheduling of and processes associated with the training of sales skills development for the Buyers sales force

### **ADDITIONAL REQUIREMENTS**

1. Buyers must have their Credit and Collections operations in place for Day 1 after Closing including the hiring and training of all personnel

### **VSO.RM.3 Fraud Prevention**

#### **DESCRIPTION**

Supplier will monitor Buyers Customers for fraudulent voice calling 24 hours per day – seven days a week (24 X 7). Supplier will monitor Buyers Customer's toll abuse monitoring 14 X 7, and Subscription Fraud Referrals from other internal Supplier organizations 8 X 5 utilizing a variety of methods that are used in the Business today including individual case analysis and the use of subscription fraud referrals.

The Fraud Prevention Group will then take the necessary action including service blockage on the Customer's account based on the results of the investigation. In some cases, the department will retrieve an account back from an outside collection agency when placed in error related to the fraud event. In other cases, the VSO Fraud team will work with the Customer to possibly clear the balance via an adjustment to his/her account.

#### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.



### **VSO.RM.4 Credit Screening**

#### **DESCRIPTION**

Supplier will provide credit screening services to electronically support the credit evaluation process for Customers in the States.

During the sales process and before a service order can be issued, a credit evaluation must be performed on new and existing Customers. This credit check includes a review of outstanding invoices and/or an external credit evaluation from a Credit Reporting Agency.

If for any reason, the Customer does not pass the credit evaluation, the service order will be rejected and forwarded to the Receivables Management Risk Assessment Center (RMRAC). The RMRAC will resolve the credit problem within the required guidelines including any regulatory requirements and forward the service order on for provisioning.

The service includes the activities required to insure that the credit screening process performs as designed and the resolution activities required for a failed credit screen.

#### **ADDITIONAL REQUIREMENTS**

1. Buyers are required to obtain their own credit screening agreement with the Supplier's credit screening vendor to facilitate the credit screen process.

## **DSL.NET.1 DSL LEC Provisioning Fallout and Maintenance Support**

### **DESCRIPTION**

Supplier shall provide the following DSL related services:

1. DSL Maintenance Support – Consumer and Business. This service primarily consists of receipt of trouble report, ticket creation, testing, monitoring, dispatching, and resolution. The scope of this service is limited to the LEC network. All Tier I customer technical support shall be handled by Buyers.
2. DSL Line Service Request (LSR) fallout and order entry support. This service consists primarily of manual order entry, manual LSR creation to support the dispatch process, resolution and monitoring of all LSR fallout (business and consumer customers)
3. DSL monitoring and coordination of the provisioning activities: This service consists primarily of providing order status and coordinating the following: dispatch requests, testing, port recovery, database reconciliation, network rearrangements, assignment changes, PVC moves and recovery, backbone fallout, manual builds and disconnects.
4. Provisioning support is provided 7am -7pm ET for East customer support and 7am -9pm ET for Network activation.

### **ADDITIONAL REQUIREMENTS**

There are no specific service requirements for the Buyers beyond those in the Transition Service Agreement or Schedule A thereto.

## **IT.SYS.1 Information Technologies Support Services**

### **DESCRIPTION**

Supplier will provide the Buyers access to the existing IT systems and applications that support the Spinco Business. Supplier will:

1. Provide on-going data center operations and application support
2. Provide a dedicated account management team to interface with the Buyers IT support organization
3. Maintain applications and systems in accordance with Supplier's remaining property release, patch, and/or fix schedule
4. Verizon.com services are NOT included as part of the TSA. The current on-line billing customers will continue to be able to view bill history on Verizon.com but no Buyers billing will be loaded to Verizon.com during the Transition Services period. No orders for new service, change service nor any other on-line service normally available to Verizon customers will be allowed through Verizon.com during the Transition Services period.
5. Supplier is NOT obligated to fulfill requests for buyer specific modifications to Supplier's core systems. Buyers will receive then existing IT systems and application enhancements, patches, and fixes, consistent with Supplier's remaining properties.

### **ADDITIONAL REQUIREMENTS**

1. Buyers will supply their end users (e.g., call center representative, network management, etc.) with the necessary equipment and connectivity to access Supplier's IT systems and applications.
2. Buyers will maintain central office data management functions associated with IT systems and applications (i.e., activations, changes, events/alarms, billing usage, etc.)
3. Buyers will provide a Single Point Of Contact (SPOC), to Supplier's account management team, for coordinating operations and production support issues
4. Buyers will provide and/or arrange for the training of its employees and end-users on Supplier's systems.

## **IT.SYS.2 eWeb Intranet Services**

Supplier and its Affiliates are the developer, owner and operator of a collection of electronic information pages and software applications that are grouped together, electronically linked and access controlled by electronic network technology (collectively “eWeb”)

Some examples of the informational pages currently on the EWeb include retail business methods, business procedures, sales guides, NPA-NXX number listings and W-2 employee forms. Some examples of current applications are office supply order processing, Computer Based Training and employee directory services.

In addition, each Verizon business unit has created intranet based information to include business metrics, organizational charts, problem tracking applications and other mission critical information specifically targets for employees of Supplier and its Affiliates.

The EWeb is accessible only through personal computers linked to the EWeb through secure password protected networks.

### **DESCRIPTION**

Supplier will provide Buyers Employees or contract employees operating inside the Supplier's network firewall and working exclusively for Buyers, but not Buyers agents, vendors or contractors serving multiple clients limited password controlled network access to and use a portion of the EWeb. The EWeb is accessed through secure desktop PCs provided and maintained by Buyers and approved in each case by Supplier.

Commencing on the Closing Date, Supplier will block access of Buyers employees from certain informational pages and applications. It is contemplated that within a reasonable time after the date of this Agreement, Supplier will deliver to Buyers an Annex that identifies these pages and applications that will be blocked and not accessible to Buyers or their Employees or contractors. Notwithstanding the foregoing, if Buyers notifies Supplier that it has blocked access to any informational pages, applications or web sites that Buyers needs access to in order to operate the Business, and the parties reasonably agree that such access is needed, Supplier will promptly restore access.

The Supplier may at any time, in its sole discretion exclude Buyers Employee access to additional EWeb sites, pages and applications, unless such sites and pages contain exclusively information related to Buyers, or unless such application is intended by Supplier to be used exclusively by the Buyers Employees or contract employees operating inside the Supplier's network firewall and working exclusively for Buyers. The method of excluding Buyers Employees shall be in Supplier's sole discretion and accomplished at its cost and expense.

The supplier reserves the right in its sole discretion, to make additions to the pages and applications on the EWeb and otherwise modify or alter, in any way, the look, feel, content, navigation approach or other aspect of the EWeb. Unless Supplier exercises its discretion, described in the immediately preceding paragraph, Buyers Employees will have access to the then current EWeb as Supplier provides it to Verizon employees generally.

**ADDITIONAL REQUIREMENTS**

1. Buyers agree that use of the eWeb is limited to the Buyers Employees and contract employees operating inside the Supplier's network firewall and working exclusively for Buyers. Buyers employees will limit their access and use of the EWeb to normal or ordinary activities.
2. Buyers agrees that prior to granting any of Buyers Employees or contract employees operating inside the Supplier's network firewall and working exclusively for Buyers access or use of the EWeb, such employee or such contractor will acknowledge in writing that it has reviewed and will perform the obligations set forth in the Employee Code of Conduct, in a form substantially as described in Annex B, hereto. Notwithstanding any other provision herein, nothing in the Employee Code of Conduct shall effect any obligations of Buyers or its Affiliates or their employees pursuant to the provisions of the Agreement and Plan of Merger, the Distribution Agreement, the Transition Services Agreement.
3. Buyers agrees to cause the Buyers Employees or contractors to abide by the Employee Code of Conduct. Buyers shall terminate the employment of any of its employees for any material violation of the Employee Code of Conduct. Material breaches of the Employee Code of Conduct or failure of Buyers to discipline offending employees or contractors with termination of employment after a material violation thereof shall constitute a material breach of this agreement. Upon such breach Supplier may, immediately and in its sole discretion, terminate this service without prior notice and without opportunity to cure.
4. Buyers shall provide the Buyers Employees who will access the EWeb with PCs approved by Supplier.
5. Buyers shall provide the Buyers Employees with connectivity to the EWeb.

### **IT.SYS.3 Customer Billing Operations**

#### **DESCRIPTION**

Supplier will provide the following billing services to the Buyers:

1. Service order interface to billing systems
2. Usage processing services
3. Directory advertising billing services in the format specified by the Supplier
4. Bill Calculation Services
5. Bill Rendering, consisting primarily of: paper, envelopes, return envelopes, ink, and printers.
6. Bill inquiry services
7. Treatment & Collections services, consisting primarily of 3rd Party notifications interface(s) and customer notification systems.
8. Billing management and coordination support
9. These services are currently supported by Supplier's core billing support group, and are not included in the billing related to IT services.

#### **ADDITIONAL REQUIREMENTS**

1. Buyers will provide an interface to Supplier's billing management function for billing operations, financial management, and production support issues coordination.
2. Buyers will pay postage for bill mailing at the actual rates incurred each month.
3. Buyers will provide any bill inserts to be included in bill mailings.
4. Buyers will incur cost of any 3rd Party collection service.

## **INDEX**

---

**5**

5ESS · 37, 43, 59

---

**A**

accounts payable · 90, 106  
Accounts Receivable · 7, 31, 110  
ACD · 58, 79, 80  
ACH · 102, 103, 105, 110  
Adtran · 65  
AIN · 59  
Alcatel · 65  
AMA · 69, 70  
AMDF · 59, 71  
ARMIS · 8, 32  
ASR · 40, 41, 52, 96

---

**B**

B&C · 29, 31  
BAAIS · 40, 41  
Backbone · 40, 41, 42  
BACKSTOP · 38  
Balance Sheet · 7  
BARCODE · 38  
BCRIS · 110  
BDMS · 40, 41  
BEAR · 9  
Billing and Collection · See B&C

---

**C**

CABS · 97, 110  
CALEA · 43  
CAM · 10  
CARE · 96, 97  
Cash Flow Statement · 7  
CBOC · 82  
CCP · 38  
CCSN · 55  
CENTREX · 53  
CIC · 97  
Ciena · 65  
CLEC · 28, 37, 43, 53, 54, 98  
CLECs · See CLEC, See CLEC, See CLEC, See CLEC,  
See CLEC  
CMAC · 53, 55  
CNAM · 59, 85  
COEI · 71  
COEP · 7, 38  
CoFEE · 83  
Collocation · 44  
Competitive Local Exchange Carriers · See CLEC

Page 124 of 126

Schedule A v.9 – 01/10/07

22371313v2

Cost Allocation Manual · See CAM  
credit · 83, 91, 94, 116, 118, 120  
CRESS · 117  
CSG · 40, 41  
CTLR · 79  
cutover · 40

---

**D**

Data Communications Network · 67  
Data Services Center Network · 67  
DCP · 29  
DDPO · 110  
Default Carrier Plan · See DCP  
DIA · 42, 52, 98  
dispatch · 55, 56, 57, 68, 72, 92, 116, 121  
DSL · 40, 41, 42, 52, 55, 57, 65, 69, 78, 98, 121  
DSLAM · 40

---

**E**

E911 · 9, 32, 44, 45, 47, 48, 53, 98  
EAPOC · 96  
EBAC · 69  
ECRIS · 38  
Engineering Planned Order · See EPO  
EPO · 8  
ERMA · 118  
ERX · 62  
ERXs · 40, 41  
ESC · 105  
Ethernet · 42, 44, 56, 62, 65  
EZR · 118

---

**F**

Fast Packet · 41, 42, 52, 65, 98  
FCC · 8, 9, 10, 32, 37, 89  
Federal Communications Commission · See FCC, See  
FCC  
FiOS · 41, 57, 78, 81  
FleetTracker · 116  
FMR · 79, 80  
FOMS · 38, 71  
Frame Relay · 42, 44, 55, 98  
Fraud · 119  
FSC · 72  
FTTP · 52, 57, 59  
FUSF · 9

---

**G**

Genesys · 79  
Global Network Interface · 67



---

## *H*

Hewitt · 19, 21

---

## *I*

I&M · 57, 81  
ICGS · 38  
Income Statement · 7  
Independent Telephone Companies · See ITCs, See ITCs  
Intellilight · 44  
IOF · 47  
IP · 41, 42, 55, 57, 62, 63, 64, 66, 98  
IPVPN · 52  
ISDN · 98  
ITCs · 29, 30  
IVR · 56  
IVRU · 80

---

## *L*

LCCG · 38  
LEIS · 38  
LERG · 37  
LIDB · 59, 85, 101  
LiveSource · 85  
LNP · 55, 59, 99, 101  
LRN · 99  
LSR · 96, 121  
Lucent · 43, 59, 65

---

## *M*

MARS · 109  
MCN · 19  
MetLife · 16, 18, 19, 20  
metrics · 78, 80, 88, 123  
MSP · 55

---

## *N*

NAG · 68  
NCC · 55, 56, 59, 74  
NDC · 55  
NECA · 9  
NECC · 55  
Net Optimize · 41  
network element · 40, 41, 57, 58, 59, 60, 62, 63, 65, 66, 69  
NMOC · 55, 56  
NNMC · 55, 57  
NPSSC · 91  
NSMC · 68  
NTAGWeb · 38

NTAS · 38, 45  
NTC · 75

---

## *O*

OCI · 21  
OPERA · 38  
Operations Support Networks · 67  
ORDB · 85  
OSN · 55, 56, 67  
OSP · 8, 38

---

## *P*

PCC · 75, 89  
PeopleSoft · 103  
PICSNET · 38  
POP · 42  
PRS · 38  
PSP · 89

---

## *R*

RCMAC · 69  
REACT · 69  
Redback · 65  
remittance · 103, 108, 109, 110, 112, 114  
routers · 41, 42, 57, 62, 65  
RPC · 110, 111, 112  
RUC · 8

---

## *S*

SAP · 7, 8  
Sedgewick · 21  
SMDR · 56  
SMT2 · 59, 60, 62, 63, 64  
SOM · 38  
SONET · 44  
SS7 · 40, 47, 48, 59, 98, 99, 100, 101, 108  
STD · 105  
STP · 40, 55, 59, 99, 100, 101  
Streamweaver · 115  
Surveillance and maintenance · 55  
SWITCH · 38  
System Interface Management Network · 67

---

## *T*

tax · 25, 26, 27, 82, 103, 104, 106, 108  
Tax  
    tax · 8, 25, 27, 102  
TCW · 59  
TDMS · 38

technical support · 40, 41, 53, 58, 59, 61, 62, 65, 69, 117  
Telcordia · 37, 100  
TiRKS · 47  
Toll Free · 59  
TOPS · 53, 85  
TRS · 9  
Trunk · 32, 51

---

**U**

Unival · 19  
Universal Service Administration Corporation · See  
    USAC  
Universal Service Fund · See USF  
USAC · 9  
USF · 9

---

**V**

VBuild · 7  
VeCTR · 77, 91, 94

VEGAS · 90  
VENUe · 38  
Voice Mail · 43, 59  
Voyager · 116  
vRepair · 73  
VRRC · 73

---

**W**

WFM · 118  
Winback · 54

---

**X**

XEA · 96, 97  
XSOG · 38

## **Schedule B INFORMATION TECHNOLOGY SYSTEMS ISOLATION**

### **DESCRIPTION / REQUIREMENTS**

Prior to the commencement of Transition Services Delivery, the Supplier will complete the following work activities to its IT support systems, as necessary, in order to isolate and protect the data supporting Surviving Corporation operations from interaction with data supporting the various businesses of the Supplier:

1. Establish web and portal access to the retail and wholesale services of the Surviving Subsidiary for use by the Surviving Subsidiary's customers except as noted on Annex A to Schedule A : IT.SYS.2, eweb Intranet Services.
2. Isolate and firewall the data and interfaces within systems supporting the Surviving Subsidiary's Order and Customer Care, Trouble Ticketing, Rating and Customer Billing, Carrier Access Billing, Inventory, Provisioning, Activation, Billing Mediation, Workforce Management, various Network operations and finance and other common applications. Should isolation of data be impractical, it is expected that the below referenced sections will allow the necessary protection of data.
3. Buyers agree that prior to granting any of their employees or contract employees operating inside the Supplier's network firewall and working exclusively for Buyers access or use of the EWeb and Supplier systems, such employee or such contractor will acknowledge in writing that it has reviewed and will perform the obligations set forth in the Employee Code of Conduct, in a form substantially as described in Annex A, hereto. Notwithstanding any other provision herein, nothing in the Employee Code of Conduct shall affect any obligations of Buyers or their Affiliates or their employees pursuant to the provisions of the Transaction Agreements.
4. Buyers agree to cause their employees or contractors to abide by the Employee Code of Conduct Annex A. Buyers shall terminate the employment of any of their employees for any material violation of the Employee Code of Conduct. Material breaches of the Employee Code of Conduct or failure of Buyers to discipline offending employees or contractors with termination of employment after a material violation thereof shall constitute a material breach of this agreement. Upon such breach Supplier may, immediately and in its sole discretion, terminate this service without prior notice and without opportunity to cure.
5. Buyers agree to reimburse Supplier for setup fees necessary to provide services rendered under Schedule D – ISP Services,

### **BASE SERVICE FEE**

Buyers shall pay Supplier a fixed fee of **\$41,500,000** for the services performed if Cutover of Schedule A and Schedule D Services occur at any time within 3 months of the Closing Date. If Cutover of Schedule A and Schedule D Services occur at any time thereafter, then Buyers shall pay Supplier a fixed fee of **\$34,000,000** at the earlier of Cutover of Schedule A and Schedule D Services and the first anniversary of the Closing Date. The fee includes the one time fees described under Transition Services "PAOS.PAS.1", "RET.LVS.1", and "RET.PUB.2"

## **Annex A To TSA Schedule B : Employee Code of Conduct**

Surviving Corporation's and Buyer's employees shall agree to comply with the following Code of Conduct, during the term of the Transition Services Agreement, with respect to their use of Verizon communication and information systems provided by Verizon in connection with the transition services performed by Verizon for Surviving Corporation or Buyers.

### **1.1 Protecting Verizon Communications and Computer Systems**

Certain Verizon communication and information systems are anticipated to be provided to Buyers employees in connection with the transition services being provided to Buyers and Surviving Corporation by Verizon. These systems include certain equipment, hardware, software or networks owned, provided or used by or on behalf of Verizon that store or transmit voice or non-voice data, regardless of whether or not these systems are located on Verizon premises.

#### **1.1.1 Prohibited Activities**

Verizon's computer and communication systems are valuable Verizon assets and must be protected from unauthorized or inappropriate access, use, alteration, destruction or disclosure. All users are required, as a condition of employment, to protect the Verizon information and data from accidental or unauthorized disclosure, misuse, improper alteration or destruction. This requirement includes compliance with this Employee Code of Conduct and Surviving Corporation's \_\_\_\_\_ Policy.

Employees are prohibited from use of Verizon computer and communication systems to engage in activities that are unlawful, violate this Employee Code of Conduct or Surviving Corporation's policies, are disruptive, offend others, or harm morale; are harassing or discriminatory or create a hostile work environment; result in Verizon's or Surviving Corporation's liability, embarrassment or loss of reputation; or violate the intellectual property of others.

#### **1.1.2 Protecting Data**

Buyers and Surviving Corporation employees must maintain the integrity of any Verizon information stored on Verizon or Surviving Corporation and Buyers systems by:

- Entering only accurate and truthful data that serve a legitimate business purpose;
- Obtaining proper authorization prior to acquiring, using, altering, disposing of, or destroying data;

- Protecting data and information stored on or communicated across Verizon and Surviving Corporation and Buyers systems, and not accessing this data or information (e.g., customer calls, employee records) unless authorized; and
- Protecting data and information communicated over internal or public networks (e.g. the Internet) to avoid compromising or disclosing non-public company information or communications.

You should also protect the security of any identification access number that you use for any computer, network or communication device.

### **1.1.3 Protecting Company Systems From Viruses**

All electronic media – such as software, diskettes, CD-ROMs, and files, when acquired through public networks (e.g. the Internet) or from outside parties, are to be checked for viruses using virus detection programs prior to installation or use. In addition, any Verizon materials stored on personal computers must be safeguarded and protected from viruses.

If you suspect a virus, you should immediately report the virus to an appropriate network representative and you must not use the applicable computer systems and equipment until the virus is removed. If you do not know who your network representative is, you should call your Help Desk at **1-800-XXX-XXXX**.

Verizon prohibits the intentional importation of viruses onto any system. Only approved and properly licensed software is to be used on Verizon systems, and its use is subject to the applicable software owner's license agreements. Any non-public Verizon information or software of a third party that is stored, copied or otherwise used on Verizon systems must be treated according to Verizon standards regarding non-public Verizon information set forth herein, and any applicable agreements and intellectual property restrictions which you are informed of by Verizon or Surviving Corporation.

### **1.1.4 Inappropriate Use of E-Mail, Instant Messaging and Internet Services**

Verizon communications and computer systems, including, but not limited to, computer networks and data files, may be monitored and/or accessed by Verizon, at any time, with or without notice, to ensure the integrity of the technology, protect against fraud and abuse, detect unauthorized access or use, and for other business purposes.

Inappropriate use of e-mail includes, but is not limited to, sending or forwarding:

- Messages or materials that may be considered discriminatory, harassing, unlawful, defamatory, obscene, offensive, insensitive, sexually explicit or otherwise inappropriate.
- Chain letters and pyramid schemes or personal commercial ventures.
- Religious materials, activities or causes.
- Charitable, political, gambling or auction-related materials.

- Games or other software or copyrighted materials without a legitimate business purpose.
- Messages that disparage other companies or products.
- Large personal files containing graphic or audio files.
- Unauthorized or inappropriate mass distributions.

and any other materials whose distribution violates this Code or other Surviving Corporation policies.

Inappropriate Internet sites include any sites containing any of the materials described above, as well as: non-Surviving Corporation business-related chat sites; underground or other security sites that contain malicious software and/or instructions for compromising system and data security; and any other materials that would be improper under this Code or other Surviving Corporation policies.

***Note:** In order to perform their job duties (for example, network monitoring) specific employees may receive Surviving Corporation or Buyers management approval exempting them from certain of the above restrictions.*

## **1.2 Maintaining Company Records**

All employees are responsible for creating and maintaining full, fair, timely and accurate records that comply with this Code, Surviving Corporation policies, applicable laws and accepted professional, regulatory and industry standards.

Surviving Corporation has a zero tolerance policy for falsification or alteration of records. It is never appropriate to direct someone else to prepare or approve a false or misleading record and it is no defense to say that someone else directed you to make a record that you knew was false or misleading.

### **1.2.1 Records Containing Customer Information**

Employees may not use or access customer records or information, including their own records, or records that concern families, friends, or co-workers or former employees, except when authorized and for a valid business purpose. Customer information includes information about customers' communications or information-processing arrangements, such as unlisted telephone numbers, billing records, and network information and equipment.

## **1.3 Safeguarding Company Information**

Information used in business is a vital Verizon asset – providing opportunities to better serve customers and to compete in the marketplace. Customers, employees and business providers trust us to use their information with care.

### **1.3.1 What is Verizon Company Information?**

Verizon Company information (which is sometimes referred to as “proprietary” information) consists of:

- Verizon-owned non-public information, including information provided by or relating to employees, customers or business providers;
- Publicly available information in which Verizon or others have intellectual property rights, the use of which is subject to intellectual property restrictions (e.g. copyright).

### **1.3.2 What is Verizon Non-Public Company Information?**

Verizon Non-public company information (which is sometimes labeled “restricted” or “confidential”) is a subset of “company information” which includes:

- “Inside” information that is not publicly available and that, if it became known, could reasonably lead a person to buy, sell or hold Verizon’s or another company’s securities; and
- Other non-public information which is owned by Verizon or entrusted to Verizon by its employees, customers or business providers that, for business purposes, the owner does not want made public (e.g., trade secrets, correspondence, materials from company presentations, internal company directories, company passwords).

### **1.3.3 Protecting Verizon Non-Public Company Information**

You must safeguard Verizon non-public company information by:

Following this Code and Surviving Corporation policies and procedures for identifying, using, protecting and disclosing this information.

- Properly returning, destroying or otherwise disposing of Verizon non-public company information in accordance with document retention policies and procedures that are provided to you.
- Properly labeling records that contain such information and ensuring that the labels are there when reproducing any portion of it.
- Keeping Verizon non-public company information in protected places (such as secured offices, locked drawers, and password-protected computer systems).
- Taking appropriate precautions when transmitting Verizon non-public company information, whether within Surviving Corporation or Buyers, to Verizon, or to others outside Verizon, Surviving Corporation and Buyers (e.g., avoiding unsecured e-mail, Internet posts, or unattended fax machines).

- Complying with any contractual agreements (which you are informed of) regarding the use, disclosure and protection of non-public information owned by others.
- Informing Surviving Corporation security or legal personnel if you believe that any non-public company information has been or is being used or disclosed improperly.

#### **1.3.4 Releases of and Requests for Verizon Non-Public Company Information**

Verizon Non-public company information may be released only under the following conditions:

- To the public, only when Verizon has specifically authorized Surviving Corporation to do so. You should be aware that Verizon will lose proprietary protection for the Verizon non-public company information (for example, trade secrets) after it is disclosed to the public. Before releasing any such information to the public, be sure to confirm with the Surviving Corporation legal department that the release of such information is authorized.
- To employees of Surviving Corporation, Buyers or Verizon, who have demonstrated a legitimate, business-related need to know the Verizon non-public company information and who have been advised of applicable confidentiality requirements.
- To third parties (including Verizon affiliates) to whom disclosure has been specifically authorized and who have entered into a written agreement, approved by the Verizon Legal Department, to receive Verizon non-public company information under terms and conditions that restrict use and disclosure. Before releasing any such information to third parties, be sure to confirm with the Surviving Corporation legal department that the release of such information is authorized.
- In such a way that the Verizon is assured of the security of that disclosure.

You may never release Verizon non-public company information:

- To public Internet forums, chat rooms or electronic bulletin boards.
- To family, friends, employee groups, former employees or any other parties that could potentially influence that person's investment decisions, including whether to buy, sell, or hold any stock or any other related financial instrument.
- To selected parties (for example, shareholders or financial analysts) prior to the general public release of this information by Verizon or Surviving Corporation.

When outside parties, such as the media, shareholders, financial analysts or outside attorneys request Verizon non-public company information, employees shall not respond



to this request but instead inform their supervisor and the Surviving Corporation Legal Department about the request and refer the requesting party to them.

### **1.3.5 Discussing Verizon Non-Public Company Information With Other Employees**

You should avoid discussing Verizon non-public company information with other employees in public places (such as taxis, elevators, conferences, trade shows, restaurants) or on cellular/wireless phones.

If Verizon non-public company information is publicly disclosed, you should not discuss such information with third parties for 24 hours, unless specifically authorized. Be mindful that even after public disclosure, certain additional Verizon non-public company information regarding an issue may still be non-public and should not be disclosed.

### **1.3.6 Protecting Verizon Non-Public Information When Departing the Company**

When leaving Surviving Corporation's or Buyers' employment, you must return or leave with Surviving Corporation or Buyers any Verizon non-public company information in your possession. You must also continue to safeguard the content of that information. Without Verizon's or Surviving Corporation's specific written prior authorization, you may never disclose or use Verizon non-public company information.

### **1.3.7 Publicly Available Verizon Company Information**

This includes publicly available Verizon company information that is protected by Verizon-owned patents, trademarks or copyrights, the use of which is restricted by the applicable intellectual property laws.

To safeguard Verizon's intellectual property, employees must:

- Assist Verizon in identifying situations where a third party is using a Verizon patented invention or Verizon trademark or copying Verizon copyrighted material, all without permission from Verizon.

If you're unsure whether or what protection is necessary or appropriate, contact the Surviving Corporation Legal Department.

## **1.4 Protecting Verizon Company Property From Others**

Unfortunately, some people may seek to harm Verizon by misappropriating or stealing its assets, breaking into its systems, or otherwise corrupting its business. Every employee is responsible for protecting Verizon systems and reporting any perceived violation by a third party. If you experience, observe, learn of, or suspect behavior you believe to be in violation of this Code, **you must immediately report it to any Surviving Corporation or Buyers supervisor or manager or to the Surviving Corporation Human Resources Department.** You should not permit the inappropriate conduct to continue by not reporting it, regardless of who is or may be engaged in the conduct.

#### **1.4.1 Discipline**

Any employee who is determined to have violated this Code, fails to report inappropriate conduct, or fails to cooperate in any investigation conducted pursuant to this Code will be subject to appropriate disciplinary action, up to and including termination of employment and possible criminal and civil prosecution.

## Schedule C

CORP.HR.C1 Benefits Delivery.....	2
CORP.HR.C2 Systems Support.....	10
LIST OF THIRD PARTY VENDORS.....	12

## Schedule C

**NOTE: These services are provided only for the local exchange telephone business of NNETO, and do not provide any transition support to any other portions of the Spinco Business.**

### CORP.HR.C1 Benefits Delivery

#### DESCRIPTION

Supplier will perform the following benefit delivery/administration services:

Plan	Benefit Services	External Vendor Services Managed By Benefit Delivery
<b>Pension Plans</b> <ul style="list-style-type: none"> <li>• <b>HAP or Cash Balance</b></li> <li>• <b>Lump Sum Cash Outs</b></li> <li>• <b>Band Increases</b></li> <li>• <b>Survivor Pensions</b></li> </ul>	<ul style="list-style-type: none"> <li>• Vendor management                             <ul style="list-style-type: none"> <li>▪ Define / Approve Change order or SOW</li> <li>▪ Develop /issue RFP/RFI ex. Healthplans</li> <li>▪ Respond to Vendor inquires</li> <li>▪ Manage vendor Change Order process</li> <li>▪ Process vendor invoices</li> <li>▪ Vendor service reviews</li> <li>▪ Vendor performance monitoring</li> <li>▪ Customer service monitoring (e.g. system network, outages, high volumes)</li> <li>▪ Manage integration between vendors (Hewitt /Metlife, Fidelity , Sedgewick, Wachovia)</li> <li>▪ Act as liaison between Health Plans, Benefits funding, for payment disputes and coordinate special projects with Benefits Funding</li> <li>▪ Work with Corp Sourcing to ensure rebates and other financial agreements are pd timely per contract</li> </ul> </li> <li>• Consult with Buyers on exception complaints, claims, and appeals</li> <li>• Consult with Buyers as needed on administrative plan interpretations, administrative changes, historical practices in Pension administration including the handling of Qualified Domestic Relations Orders (QDRO), assist in research and resolution of escalated participant issues</li> <li>• Provide data research, normally billed to Verizon Pension Plan Trusts, if</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt – Determine eligibility, calculate pension, record earnings and hours, process applications, and QDRO administration</li> <li>• Calculation accrued pension for all management employees prior to Spin off</li> <li>• Hewitt – Provide pension data research as needed</li> <li>• Hewitt- provide manual calculations if necessary for pension calculations</li> <li>• Process monthly pay and/or interest credits for cash balance</li> </ul>

## Schedule C

	<p>requested. If this service is provided post close, this will be billed directly to Buyers</p> <ul style="list-style-type: none"> <li>▪ Program management of strategy and design initiatives (e.g., benefits renewal, Med D etc)</li> <li>▪ Define Benefits Requirements</li> <li>▪ Define participant experience goals</li> <li>▪ Obtain Funding for initiatives</li> <li>▪ Mandatory legal changes</li> </ul>	
<b>Excess Pension Plan</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as Pension above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt – Calculates and administers benefit</li> </ul>
<b>ERLIP (Frozen Benefit)</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ If applicable same as Pension above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt – Calculates and administers benefit for Grandfathered fGTE only. Senior Managers electing Executive Life are administered by ABC.</li> </ul>
<b>Savings/401(k)</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as Pension above</li> </ul> </li> <li>• Consult with Buyers as needed on administrative plan interpretations, administrative changes, historical practices in Savings Plan administration including the handling of QDROs, assist in research and resolution of escalated participant issues.</li> <li>• Provide data research as needed will be billed to Buyers directly</li> <li>• Program Management – VZ wide <ul style="list-style-type: none"> <li>▪ Program management of strategy and design initiatives e.g. Roth 401 K, Diversification, etc.</li> <li>▪ Benefits Requirements</li> <li>▪ Define participant experience goals</li> </ul> </li> <li>• Obtain Funding for initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Fidelity –401(k), Handles transfer of accounts, establish loan balance transfer process, new hire kits, termination kits, withdrawals</li> <li>• Provide data research and resolve participant escalations</li> </ul>
<b>Health and Welfare Plan</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Define / Approve Change Orders or SOW</li> <li>▪ Develop /issue RFP/RFI ex. Healthplans</li> <li>▪ Respond to Vendor inquires</li> <li>▪ Manage vendor change order process</li> <li>▪ Process vendor invoices</li> <li>▪ Vendor service reviews</li> <li>▪ Vendor performance monitoring</li> <li>▪ Customer service monitoring (e.g. system network, outages, high volumes)</li> <li>▪ Manage integration between vendors (Hewitt, Metlife, Wachovia, etc)</li> <li>▪ Act as liaison between Health</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Develop and mail materials, maintain systems for data tracking, vendor interfaces, payroll interface, etc., maintain Internet, handle employee inquiries, FAS 10, FAS 112, imputed income, 5500 reports, Mitchell and Titus inquiries.</li> <li>• Hewitt Associates – will also continue existing services related to Direct Billings &amp; Payments, Access Direct, Provider Direct, Participant Advocacy, Senior Manager Support, Call recording and routing, QMCSO's, Spending Accounts (YSA) and participant access to YBR.</li> <li>• Health Plans – provide premiums, verify plan highlights for fact sheets</li> </ul>

## Schedule C

	<p>Plans, Benefits funding, for payment disputes.</p> <ul style="list-style-type: none"> <li>▪ Work with Corp Sourcing to ensure rebates and other financial agreements are paid timely per contract</li> <li>• Consult with Buyers on exceptions complaints, claims, and appeals</li> <li>• Consult with Buyers as needed on administrative plan interpretations, administrative changes, historical practices in H &amp; W administration including assistance in research and resolution of escalated participant issues</li> <li>• Program Management – VZ wide <ul style="list-style-type: none"> <li>▪ Program management of strategy and design initiatives (e.g., benefits renewal, Med D etc)</li> <li>▪ Define Benefits Requirements</li> <li>▪ Define participant experience goals</li> </ul> </li> <li>• Obtain Funding for initiatives</li> <li>• Define healthplan requirements</li> <li>• Health Plan selection</li> <li>• Program Manage Annual benefits renewal process for BR2008</li> <li>• Develop and manage Healthcare Quality Initiatives</li> <li>• Prepare and authorizes invoices for healthcare quality initiatives (Leapfrog, BTE) as needed</li> <li>• Mandatory legal changes</li> </ul>	
<p><b>Benefits Renewal</b></p>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> <li>• Oversee Benefits Renewal process for plan year 2008</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt - Mail materials, maintain systems for data tracking, vendor interfaces, payroll interface, interface with Health Plans, premium/contribution reporting, and HPCC's, Towers Perrin extract for employee pricing evaluation, election analysis, facilitate enrollment through the Benefits Center, respond to employee inquiries</li> <li>• Health Plans – provide premiums, verify plan highlights for HPCC's</li> </ul>
<p><b>Active Medical, Includes Rx, Vision, Managed Mental Health, EAP through VZ Life</b></p>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as Health &amp; Welfare above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt – day to day administration of new hire enrollments, QLE's , provide information and answer questions and inquiries, send deductions to payroll and eligibility to vendors, premium reporting, QSC's, terminations, severance, transfers, status changes (i.e. Full time to part time), Leaves and LTD, MEP deductible calculation, SSDC interface</li> <li>• Health Plan Vendors – process and pay claims, answer employee inquiries</li> </ul>

## Schedule C

<b>Healthcare – Mental Health &amp; Substance Abuse</b>	<ul style="list-style-type: none"> <li>• Vendor Management – same as H&amp;W above <ul style="list-style-type: none"> <li>▪ MHN</li> <li>▪ United Behavioral Health (UBH)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• MHN &amp; UBH – provide networks and services to participants in accordance with plan provisions</li> </ul>
<b>Retiree Medical</b>	<ul style="list-style-type: none"> <li>• Vendor management</li> <li>▪ Same as H&amp;W above</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt – same as active medical</li> <li>• Hewitt – Benefit information, enrollment of retirees into retiree medical/dental benefits, direct billing and collection of contributions, pension payroll and direct debit and SSDC interface.</li> </ul>
<b>COBRA Medical/Dental/Rx/Vision/FRP and HIPAA Notices</b>	<ul style="list-style-type: none"> <li>• Vendor management</li> <li>▪ Same as H&amp;W above</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Administers benefit, mail materials, maintain systems for data tracking, vendor interfaces, and participant direct billing and collection and respond to participant inquiries.</li> </ul>
<b>Healthcare - Dental</b>	<ul style="list-style-type: none"> <li>• Vendor management</li> <li>▪ Same as H&amp;W above</li> <li>▪ Aetna</li> <li>▪ Cigna</li> <li>▪ Metlife</li> <li>▪ United Concordia</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Benefit information, handle employee inquiries, provide eligibility data to vendors</li> <li>• Dental Vendors: <ul style="list-style-type: none"> <li>▪ Process claims,</li> <li>▪ Pay benefits,</li> <li>▪ Answer employee questions</li> </ul> </li> </ul>
<b>FRP</b> <ul style="list-style-type: none"> <li>• HCRA</li> <li>• DCRA</li> </ul>	<ul style="list-style-type: none"> <li>• Vendor management</li> <li>▪ Same as above <ul style="list-style-type: none"> <li>○ Hewitt</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Benefit information, handle employee inquiries.</li> <li>• Hewitt – Process claim, pay benefits</li> </ul>
<b>Basic Life and AD&amp;D</b>	<ul style="list-style-type: none"> <li>• Vendor management</li> <li>▪ Same as H&amp;W above</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Benefit information, employee assistance through the Life Benefits Team, assist beneficiary to file claim, administer coverage and premiums for the benefit, send conversion notices upon termination of plans</li> <li>• MetLife – Process claim, pay benefits</li> </ul>
<b>Supp Life – employee and dependent</b>	<ul style="list-style-type: none"> <li>• Vendor management</li> <li>• Same as H&amp;W above</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates mail materials, maintain systems for data tracking, determine eligibility, payroll interface and direct billing and collections. Send EOI's to ppts, and send enrollment and premium reports to Met Life.</li> <li>• Met Life – pays claims, approves EOI's</li> </ul>
<b>LTD - eligibility and enrollment</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Benefit information employee assistance enrollment. Send EOI's for Hewitt and Met Life,</li> <li>• Met Life – Approves requests for coverage increases and pay claims</li> </ul>
<b>Long Term Care</b>	<ul style="list-style-type: none"> <li>• Limited interaction <ul style="list-style-type: none"> <li>▪ Legacy plans/vendors: <ul style="list-style-type: none"> <li>○ MetLife (legacy plan)</li> <li>○ Mutual of Omaha</li> <li>○ John Hancock</li> </ul> </li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Develop and mail materials, maintain systems for data tracking, payroll interface, handle employee inquiries.</li> </ul>

## Schedule C

	<ul style="list-style-type: none"> <li>▪ Updated plan/vendor: <ul style="list-style-type: none"> <li>○ MetLife (updated plan)</li> </ul> </li> </ul>	
<b>RX Benefits</b>	<ul style="list-style-type: none"> <li>• Vendor management</li> <li>• Same as H&amp;W above</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Benefit information, employee assistance, same as active medical</li> <li>• Medco - Process claim, pay benefits</li> </ul>
<b>Vision</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>• Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – Provide benefit information on line and through reps, send vendor eligibility files</li> <li>• Davis Vision – Provide network and products to participants and provide benefit level information to participants and local network suppliers. Process out of network claims for products and exams.</li> </ul>
<b>AYCO Survivor Support</b>	<ul style="list-style-type: none"> <li>• Limited interaction <ul style="list-style-type: none"> <li>▪ AYCO</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt – Offer plan to: (1) survivors of active employees (spouses/partners, beneficiaries and/or dependents) or (2) active employee who spouse/partner or child dies; send authorization to AYCO</li> <li>• AYCO – Provide financial counseling</li> </ul>
<b>Personal Lines Insurance</b>	<ul style="list-style-type: none"> <li>• Vendor management by Risk Management Department <ul style="list-style-type: none"> <li>▪ ABC Systems (oversight)</li> <li>▪ Travelers (insurer)</li> <li>▪ Liberty Mutual (insurer)</li> <li>▪ MetLife (carrier (insurer)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Managed by Risk Management - develop and mail materials, maintain systems for data tracking, payroll interface, handle employee inquiries.</li> <li>• Hewitt – send eligibility file to vendors</li> </ul>
<b>Concession Telephone Service (CTS)</b>	<ul style="list-style-type: none"> <li>• Vendor management – same as H&amp;W above</li> </ul>	<ul style="list-style-type: none"> <li>• Acordia – administer program, answer employee questions.</li> </ul>
<b>Eteam</b>	<ul style="list-style-type: none"> <li>• Internal VZ team. Facilitate and track escalations from HRBP, VP's and Executives for unresolved participant issues <ul style="list-style-type: none"> <li>▪ Contact ppt</li> <li>▪ Work with vendor</li> <li>▪ Track Issues in WorkFlow</li> <li>▪ Provide reports</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates has mirror team that works with VZ Eteam to track, facilitate and resolve escalations that.</li> </ul>
<b>Participant Advocacy</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – assist participant with unusual or complex H &amp; W cases</li> </ul>
<b>Labor contract negotiations – data</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – provide Buyers Labor Relations with benefit data historically used (West bargaining file format) during collective bargaining and benefit analysis or comparisons</li> </ul>
<b>Labor contract benefit implementation</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt Associates – make changes to systems to implement benefit related negotiated changes including vendor and payroll data interfaces, may include mid-year enrollment –</li> </ul>



## Schedule C

		Note: Labor contract benefit implementations will continue to be conducted through a separate Change Order Request
<b>SSDC</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• SSDC – contacts participants eligible for social security disability and Medicare D.</li> <li>• SSDC – send Hewitt files to update employee Medicare eligibility</li> <li>• Hewitt – Send SSDC outbound eligibility file</li> </ul>
<b>HRI</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H &amp; W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• HRI – contacts participants to subrogate medical claims and STD/LTD claims</li> </ul>
<b>OCI</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• OCI – provide HRI and other vendors with health and disability claim data as well as data consolidation for the Medicare D process</li> <li>• Hewitt – send OCI participant eligibility data</li> </ul>
<b>Global Fit Discount Program</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Global Fit – provide network of fitness centers that discount memberships to Spin Co employees</li> </ul>
<b>Pension Payroll Service</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Manage Wachovia Team on payment timelines/issue resolution/correspondence to payee's affected by issues/approves all communications.</li> <li>▪ Manage interaction of Hewitt as it relates to Wachovia.</li> <li>▪ Hold Quarterly Review of Services by Wachovia and Hewitt on Pension Payroll.</li> <li>▪ Approve and Process all Vendor Billings in accordance with contract terms.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Wachovia provide timely payment of pension payroll checks</li> <li>• Maintains data, check 's created/stopped/re-issued, check copies and all year end tax information.</li> <li>• Manage co-ordination of data files and layout from Hewitt to Wachovia for all payment cycles.</li> <li>• Manage relationship between Hewitt and Wachovia on interface files.</li> <li>• Manage relationship with Mellon Bank, VIMCO, Wachovia and Hewitt as required.</li> <li>• Wachovia to provide comprehensive lists of all checks returned to trust. Hewitt to send letters to all ppt's whose cancelled or stopped checks were returned to the Trust.</li> </ul>
<b>Savings Bond program</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as pension above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• National Bond &amp; Trust – accepts enrollments and changes to deductions, issue savings bonds to participants, answer employee questions,</li> </ul>
<b>Adoption Assistance program</b>	<ul style="list-style-type: none"> <li>• Vendor management provided by VZ Life</li> </ul>	<ul style="list-style-type: none"> <li>• Value Options – provide information to employees, process requests for reimbursements in accordance with VZ's practices</li> </ul>
<b>Year end Tax Service</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as pension above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Manage Year End Tax process, interface between Hewitt and Wachovia on data feeds for Hewitt's year end tax team from mid-January to April 15<sup>th</sup></li> <li>• Manage all communications on issue</li> </ul>

## Schedule C

		<p>resolution</p> <ul style="list-style-type: none"> <li>• Hewitt to provide side by side research with Wachovia on any ppt issues raised.</li> <li>• Hewitt and Wachovia to provide all data/research required in the event of an ERISA Claim pertaining to pension payments or taxing disputes.</li> </ul>
<b>Bridging of Service</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as pension above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt to provide calculation of bridging service and provide communication to impacted employees</li> </ul>
<b>Mandatory Portability</b>	<ul style="list-style-type: none"> <li>• Vendor management <ul style="list-style-type: none"> <li>▪ Same as pension above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt to manage requests from participants to port service</li> <li>• Interact with other vendors/companies in order to port service</li> </ul>
<b>Helpline Services</b> - <b>Helpline</b> - <b>FMLA Call Intake</b> - <b>Absence/LOA Call Intake</b>	<ul style="list-style-type: none"> <li>• Vendor Management has been transferred to VZ Domestic Telephone</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt – Includes the following major functions: <ul style="list-style-type: none"> <li>▪ Answer HR policy, process, system navigation questions</li> <li>▪ Administer Viewpoints survey</li> <li>▪ Process Associate Expense and New Career Reimbursements</li> <li>▪ Answer FMLA status, balance, policy, and process questions</li> <li>▪ Answer Absence/LOA status, policy, and process questions</li> </ul> </li> </ul>
<b>RIF Administration</b> - <b>Management Severance Plan</b> - <b>Associate IPP/ISP Administration</b>	<ul style="list-style-type: none"> <li>• Vendor Management has been transferred to VZ Domestic Telephone <ul style="list-style-type: none"> <li>▪ Same as above – pension</li> </ul> </li> <li>• Serve as Severance Plan SME and Fiduciary</li> </ul>	<ul style="list-style-type: none"> <li>• Hewitt - Includes the following major functions: <ul style="list-style-type: none"> <li>▪ Process/plan consultation with Business Partners, Labor</li> <li>▪ Build business cases</li> <li>▪ Create and distribute severance packages</li> <li>▪ Process forms (Releases, Vacation Buy-Out, Volunteer)</li> <li>▪ Provide reports/extracts to 3<sup>rd</sup> party vendors (payroll drops, payment files, etc.)</li> <li>▪ Historical research</li> </ul> </li> </ul>
<b>Commuter Assistance Program (CAP) - Commuter Advantage</b>	<ul style="list-style-type: none"> <li>• Vendor Management <ul style="list-style-type: none"> <li>▪ Same as H&amp;W above</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• SHPS – provide CAP services, communications, debit cards and reimbursement procedures.</li> <li>• Hewitt – send SHPS eligibility files</li> </ul>
<b>Ancillary vendors and files</b>		<ul style="list-style-type: none"> <li>• Hewitt – will continue to send eligibility files to support: Telephone concession, Service Awards, Cybergrants, VZ Foundations, Retiree data warehouse, Omnicare, and inactive address data feed to Verizon HR</li> </ul>
<b>Communications – All plans – H&amp;W and DB</b>	<p>Benefit Communication Services that Buyers currently receives as part of Verizon Communications Inc.</p> <p>Ensure use of Brand identity and adherence</p>	<ul style="list-style-type: none"> <li>• Hewitt, Fidelity, MetLife, SHPS or other direct cost for communication materials and services, including fulfillment and web site design as required, will be the responsibility of Buyers.</li> </ul>

## Schedule C

	<p>to corporate logo and branding guidelines; coordination with Corporate Branding office</p> <p>Design, review and distribution of traditional benefits renewal communication, including mid-year and anytime enrollment material and targeted communication (such as HMO drop letters/emails). Benefits Changes effective 1/1/07 will be communicated as part of Verizon Communications Benefits Renewal material, without any special branding.</p> <p>Targeted strategic communications: design, review and distribution: (e.g. Savings Plan Rollout: including Flash promotions; changes brochure, prospectus, offering statement, targeted e-mails).</p> <p>Life event materials (e.g., Planning/preparing for retirement materials) – Communicated as status quo until such time it is deemed required to have re-branded.</p> <p>Assistance with summary plan descriptions (SPD)/Summary of material modification (SMM); creation, distribution and ongoing updating for plan changes. Buyers intends to have SME team established to coordinate Buyers SPD development; although may require some assistance from Supplier.</p> <p>Standard system-generated statements that are part of the benefits administration contract or change orders – See life events comments</p> <p>Executive benefits communication, as needed.</p>	
--	--	--

## **CORP.HR.C2 Systems Support**

### **DESCRIPTION**

Supplier will provide system support for the following systems/reports

1. Systems Support
  - a. MCPS – Management Compensation Planning Systems.
  - b. CPS – Corporate Profit Sharing.
  - c. EEO/EEO1 report – government reports.
  - d. COIQ – Conflict Of Interest Questionnaire online (Data can be specific to Buyers).
  - e. AWARE– Advanced Web Analysis and Reporting Environment-Access to Human Resources Employee Data Ware House for Buyers Reports.
2. OSS– Organization Structure Standardization-PeopleSoft Tree Support (Separate branch for Buyers).
3. UIDPS– UserID Provisioning System Security Support (system access requests, approvals).
4. PTR/PIF– Payroll To Recordkeeping/Payroll Interface File Support (Inter/Outer-faces to Hewitt and Fidelity).
5. Integration Support
  - a. PeopleSoft HRMS
  - b. Time Reporting/Workbrain Configuration
  - c. Helpdesk (Staffing Support/Job Evaluation Updates)

## **ADDITIONAL REQUIREMENTS**

Buyers must enter into vendor contracts with each vendor identified in this Schedule C. Failure to have all vendor relationships effective on the Closing Date of the Merger may result in discontinuance of Schedule C services. Any change in vendors or vendor services during the term of Schedule C services may result in either discontinuation of Schedule C Services or additional charges for services rendered to develop and maintain new vendor data feeds of electronic interfaces. Charges for services of these vendors will be billed directly to Buyers and are not Third Party Vendor Costs.

**If buyer terminates Schedule A services before termination of Schedule C services, to continue Schedule C services, buyer must provide all required employee data to supplier in an electronic format and frequency that will allow buyer to maintain data, feeds and interfaces. Supplier will determine the most efficient way to receive and deliver data. Any testing or set-up expenses incurred by Supplier in connection with the receipt of information from Surviving Corporation will be reimbursed to Supplier by Surviving Corporation.]**

## **SERVICE FEE**

Monthly Cost	<p>The Buyers will pay the Supplier a fixed fee of \$52,000 per month for all the CORP.HR services provided.</p> <p>Buyers will be responsible for 3<sup>rd</sup> party costs from the Benefits Administrators and the Benefit Providers for the costs associated with the administration of the services and benefits.</p> <p>Buyers will be responsible to pay for the direct benefit costs associated with these specific benefits</p>
--------------	---

**LIST OF THIRD PARTY VENDORS**

ABC .....	3, 6
Fidelity .....	2, 3, 11
Global Fit.....	7
Hewitt.....	2,3,4,5,6,7,8,11,13
HRI.....	7
Medco .....	6
Mellon Bank .....	7
MetLife .....	2,3,5,6
MHN.....	5
OCI .....	7
Sedgewick.....	2
SHPS .....	8
SSDC.....	4,5,7
UBH .....	5
Value Options .....	7
Wachovia.....	2,3,7, 8

**Schedule D - ISP SERVICES****DESCRIPTION****A. General Description of Services and Supplier Responsibilities**

1. Supplier (through its affiliates Verizon Internet Services Inc. and GTE.net LLC (collectively, "VOL") and/or other Supplier Affiliates) shall provide Internet-related services, as described below, during the term of this Schedule D, to Buyers in support of existing and new subscribers to Buyers' Broadband Services in the States ("End Users"). For the purposes of this Schedule D, "Broadband Services" shall mean all speeds (e.g., 768Kbps, 1.5Mbps, etc.) of Infospeed DSL Solutions consumer and business digital subscriber line service ("DSL") and FiOS fiber-to-the-premises ("FTTP") Internet access service offered by Supplier immediately prior to the Closing Date. Broadband Services will also include, if offered by Supplier immediately prior to the Closing Date, DSL services offered over local loop facilities where the underlying circuit switched local exchange voice services are offered by a competing local exchange provider (as applicable, DSL over UNE-P or DSL over resold lines) or where the End User does not subscribe to Buyers' circuit switched local exchange voice services (i.e., Stand Alone DSL).
2. Except to the extent otherwise expressly provided in this Schedule D: (i) the applicable ISP Services (defined below) will be made available to support all End Users from time to time during the ISP Service Term as hereinafter defined; and (ii) Supplier will provide ISP Services with no materially lesser features, functionality, customer care or technical support or CPE, than Supplier provides immediately prior to the Closing Date.
3. **Internet Access Services to be Provided.** Buyers will provide Broadband Services to its End Users during the ISP Service Term. Such services shall include (a) Local Loop Services (as described in Section B.1.a., below), which Buyers shall self-provision; and (b) Backhaul Services (as described in Section B.1.b., below), ISP Services (as defined in Section A.5, below) and Portal Services (as defined in Section 11, below) which Buyers shall purchase from Supplier under the terms of this Schedule D.
4. INTENTIONALLY LEFT BLANK
5. **Consumer and Business ISP and Value-Added Services.** Supplier shall provide during the ISP Service Term the services listed in Sections A.5.a through h (which services shall comprise the "ISP Services") to Buyers' then-existing and new End Users of Broadband Services, and, if offered by Supplier immediately prior to the Closing Date in the States, to Buyers' dial-up, dedicated internet access (DIA) and LAN-ISDN customers:
  - a. Co-Branded consumer and small/medium business ("SMB") web-based activation/CD installation processes. For the purposes of this Section A.5, the term "Co-Branded" shall mean branding including the marks of Buyers and Supplier as proposed by Supplier in

its reasonable discretion after good faith consultation with Buyers. The parties shall execute a written license agreement with respect to the same.

- b. Co-Branded consumer "What's Next" pre-activation site.
  - c. Access to Supplier's VOL-branded consumer and SMB Member Services and consumer entertainment portals.
  - d. VOL-branded consumer and SMB dial-up installation CD-ROM.
  - e. Verizon.net domain consumer and SMB POP3 email for primary and sub-accounts.
  - f. For business standard (as opposed to basic) DSL and FTTP services, personal web space, domain name email, domain name service, one license node for the Verizon Internet Security Suite and unlimited mobility dial-up service.
  - g. For business static DSL and FTTP, the services offered in Section A.5.f plus one static IP address.
  - h. Radius authentication, Internet protocol ("IP") assignments and management, accounting, back-end support and other back office services for Broadband Services, and, if applicable, LAN-ISDN, DIA and dial-up Internet access services.
  - i. Value-Added Services. Supplier may in its discretion make available to Buyers' End Users during the ISP Service Term, on terms and conditions Supplier shall determine, access to such VOL-branded and third party branded content and other value-added services (e.g., Verizon Internet Security Suite, music and video content, web storage, games, etc.) as Supplier may from time to time offer to its customers outside the States (collectively, "VAS") through Verizon's VASIP ecommerce program and applicable third party agreements.
  - j. Business Value-Added Services. Supplier may in its discretion make available to End Users during the ISP Service Term, on terms and conditions Supplier shall determine, access to available SMB-only domain name e-mail and domain name services (over and above those services included as part of Supplier's standard DSL offer as of the Closing Date) and access to security/VPN services, in each case as then-currently offered by Supplier to its business DSL, DIA and FTTP subscribers and on a standalone basis (collectively, "Business VAS"). Supplier shall be entitled to all revenue associated with VAS and Business VAS without accounting to Buyer.
  - k. Buyer understands and agrees that Supplier shall have no obligation to provide any modified or new products or services as part of the ISP Services, VAS and Business VAS during the ISP Service Term even if Supplier provides such products or services in areas other than the States.
6. **Non-Affiliate ISP Services**. Buyer will provide Wholesale DSL Services (pursuant to private carriage agreements) and BTAS to existing and new end user consumer customers of non-affiliate ISPs ("Non-Affiliate End Users") in the States. As applicable to each Non-Affiliate ISP Service, Supplier will provide Non-Affiliate End Users the same or substantially similar ISP and Backhaul Services (the "Non-Affiliate ISP Services") to those Supplier



provided to such Non-Affiliate End Users immediately prior to the Closing Date; provided that, Supplier in its sole discretion may modify the Non-Affiliate ISP Services from time to time consistent with modifications to similar services provided to its subscribers outside the States. Buyer understands and agrees that Supplier shall have no obligation to provide any modified or new products or services as part of the Non-Affiliate ISP Services even if Supplier provides such products or services in areas other than the States.

## **7. IP Address Management.**

- a. As part of ISP Services, Supplier will manage the assignment of IP addresses from either (i) Supplier's designated pool of available IP addresses for services requiring use of dynamic IP addresses, or (ii) Supplier's designated pool of available IP addresses for services requiring the use of a static IP address, which in either case shall remain registered to Supplier.
- b. At the end of the ISP Service Term Buyers shall be responsible for obtaining their own licenses and IP addresses for all ISP Services, including without limitation, static and dynamic DSL and FTTP services, dial-up, ISDN-LAN, DIA and portal and value-added services, and for use for internal, administrative and other purposes. Buyers shall migrate off all Verizon (and all affiliate) assigned, owned or controlled IP addresses effective no later than the end of the ISP Service Term.

## **8. Support Services for Wholesale DSL and CPE.**

- a. As part of ISP Services, Supplier will continue providing the same or substantially similar support services to non-affiliate ISPs purchasing Wholesale DSL Services from Buyer, including sales support, order fallout management, technical support, CPE and billing services as were provided to such entities immediately prior to the Closing Date, as may be modified from time to time by Supplier generally outside the States.
- b. Supplier will provide:
  - (i) Customer premise equipment including modems and/or routers ("CPE") to consumer DSL and FTTP, and business DSL, DIA, security/VPN and FTTP subscribers in the States in the same or substantially similar manner as Supplier provides such CPE to subscribers to Supplier's comparable services outside the States subject to commercial availability;
  - (ii) In-Warranty replacement for the modems/routers pursuant to the then-existing Verizon TeleProducts (VTP) warranty program;
  - (iii) Out-of-warranty replacement (i.e., outside of the applicable Verizon-provided warranty period (which is ninety (90) days in the case of consumer and business DSL CPE)), if and where a made available by Supplier in the States, at Buyers' option, which will be incrementally billed to Buyers at Supplier's then current rate. Without limiting the foregoing, Buyers will bear all costs associated with all warranty replacements, as well as the cost of bad debt and collections, money-back and on-time guarantees, and other associated costs for in-warranty and out-of-warranty replacement.
- c. Buyers will reimburse Supplier for its reasonable and incremental costs incurred by Supplier as a result of marketing efforts and/or promotions undertaken by Buyers to the

extent these programs impact CPE fulfillment, the cost of freight or delivery of CPE, money-back and on-time guarantees generally, or other CPE or fulfillment costs. These costs will be invoiced as Third Party Costs.

## 9. **Customer Support.**

a. **ISP Billing Support.** Supplier will provide the following Customer Billing Operation Services to Buyers according to Supplier's then-existing processes and services for ISP Services:

i) Live (On-line) services:

- (1) Serve as customer interface by providing billing inquiry and adjustments to consumer and business End Users.
- (2) Investigate billing disputes for End Users.
- (3) Process disconnect requests from English-speaking and certain non-English speaking End Users.
- (4) "Save the sale" services to interview End Users to best determine and position

ii) Off-line services:

- (1) Retrieve End User archived billing statements and process credits, as needed.
- (2) Process order fall out for new orders as well as changes to existing services.
- (3) Conduct billing discrepancy investigations for End User issues and complaints.
- (4) Process manual connections and manual disconnections.
- (5) Process End User requests for billing changes (invoice billing, LEC bill or credit card bill).
- (6) Prepare and submit refund checks.

b. **VOL branded customer care and technical support.** Supplier will provide as part of the ISP Services Tier 1 desktop and network technical support to Buyer's DSL and, if applicable, dial-up and DIA customers. Technical support for FTTP End Users shall be provided pursuant to Schedule A. DSL technical support will be provided through technical support agents who interact with customers via the telephone and e-mail. Supplier technical support centers will operate on a 7 X 24 X 365 day a year basis or on such other schedule as Supplier provides to its customers for similar services during the ISP Services Term. In cases where network issues are involved or where certain CPE issues exist, Supplier will escalate to the appropriate tier 2 operations or support personnel following Supplier's standard escalation procedures. Buyers will provide all necessary technical support to Supplier personnel, or to the End User, as appropriate, regarding End User support issues relating to Broadband Services provided by Buyers.

**Billing Services.**

- a. Supplier shall provide Buyers with a billing feed for ISP, VAS, Business VAS and Portal Services, where such services are billed to an End User's telephone bill. Supplier shall bill and collect for such services on Buyers' behalf on the End Users' telephone bills. Buyers shall retain all amounts collected, and shall bear the risk for any uncollectible amounts. Supplier shall have the right to bill customers via credit card for all applicable services and shall remit all amounts owed to Buyers. Supplier may also bill for business Broadband Services, and where applicable, ISP and Business VAS Services via direct (paper) billing.
- b. Supplier will provide the following billing support related services to assist in billing and collecting from the Buyers' DSL and FTTP customer base:
  - i) Investigate unbillable and rejected billing records;
  - ii) Investigate records with a wrong billing telephone number;
  - iii) Work billing fallout;
  - iv) Investigate billing errors;
  - v) Handle billing related End User referrals;
  - vi) Aid in the resolution of bill production issues;
  - vii) Provide up-front "preventative" checks of billing data;
  - viii) Reconcile and support credit LEC purchase of Accounts Receivable for Buyers' ISP End Users billed via the LEC bill;
  - ix) Reconcile and support credit card transitions for End Users billed via credit card;
  - x) Investigate disputed charges from credit card End Users;
  - xi) Work transactions denied due to declined credit cards;
  - xii) Process cash payments which could not be processed by the bank (error correction);  
and
  - xiii) Reconcile/support "Cash" transitions for End Users billed via a "Direct Invoice".
- c. Supplier will provide the following Retention/Bill Inquiry Support related services associated with the Buyers' End User customer base:
  - i) Negotiate sales and fulfillment of order activity (enter the customer's order);
  - ii) Work any fallout and re-enter order activity;
  - iii) Validate End User's billing complaints and issue appropriate credits;
  - iv) Explain billing charges to End Users;
  - v) Correct any billing issues;
  - vi) Provide retention services consisting of reselling the service, provide marketing offers, directing calls to technical support centers as appropriate; and

vii) Provide Buyers with accounts receivable aging data.

## 11. Portal.

- a. Supplier will have sole control of the portal start-up and associated web pages and the Uniform Resource Locators (“URLs”) associated therewith. The current URLs for the consumer and business dial-up, DSL and FTTP service start pages will be as follows: for consumer DSL services, <http://dslstart.verizon.net>; for consumer FTTP services, [central.verizon.net](http://central.verizon.net); for consumer dial-up Internet service, <http://start.verizon.net>; and for business dynamic DSL and FTTP services, <http://business.verizon.net>.
- b. Supplier will determine and implement the co-branding, if any, of portal start-up and associated web pages on the consumer and business DSL installation web-based activation / CD installation and landing “welcome” page for all applicable consumer and business portals.
- c. Existing and new End Users of Buyers’ consumer DSL services will have access to the then-existing co-branded VOL-third party portals (“Portal Services”), subject to the negotiation of mutually acceptable agreements with Supplier’s then-existing portal partners. Supplier will retain all revenues from any revenue sharing arrangements associated with the Portal Services and Supplier’s business DSL and FTTP portals. Supplier reserves the right to modify the End User pricing applicable to the Portal Services offered to End Users as well as any and all features, functions, applications or services provided in connection with the Portal Services. Buyers understand and agree that upon the termination of this Schedule D, Buyer must make their own arrangements with portal providers of their choosing and that Supplier’s existing portal choice offerings may or may not be made available to such End Users in Supplier’s sole discretion.

## B. Other Responsibilities

### 1. Network Services.

(a) Local Loop Services. Buyers will directly provide and support Local Loop Services. “Local Loop Services” include provisioning of DSL or FTTP from the subscriber’s premise to the DSL or FTTP traffic aggregation hand-off point located at the applicable LATA core or POP core router. Supplier’s affiliate will create a monthly invoice on behalf Buyers’ local exchange company (which for clarity may be Buyers), such invoice to include Local Loop Services and appropriate taxes and surcharges related thereto, and will provide such monthly invoice to Buyers’ ISP company for applicable services provided by Buyers’ local exchange company.

(b) Backhaul Services. “Backhaul Services” include traffic aggregation and backbone Internet access services necessary for the transport of data and associated traffic between the applicable LATA core or POP core router and Internet peering points, including circuit and network services. Supplier will provide Backhaul Services to Buyers under the terms of Supplier’s existing backhaul agreement with Verizon Business or third party providers. .

2. Supplier will provide dial-up Internet (including Mobility) transport services, where applicable, through its then-existing third party relationship(s) for the ISP Service Term.
3. Buyers will manage the day-to-day operations of the Local Loop Services, including all product development, provisioning and customer and technical support.
4. Subject to the terms of this Schedule D, Buyers will determine the end user retail pricing for all Broadband, Wholesale DSL and BTAS Services and dial-up, DIA and ISDN-LAN Service; provided, however that, in the event Buyers change the pricing of such services from those then-offered by Supplier outside of the States, Buyers will provide Supplier with 90 days prior written notice and compensate Supplier for the costs associated with implementing any pricing changes, including without limitation, changes to Supplier's billing systems and any amounts Supplier owes affiliates or non-affiliate third parties. Other changes, including new product introductions, will require six (6) months prior written notice and Buyer will compensate Supplier for the costs associated with implementing any pricing changes, including without limitation, changes to Supplier's billing systems and any amounts Supplier owes affiliates or non-affiliate third parties. The foregoing sentences notwithstanding, Supplier will determine the pricing of all Portal Services, VAS and Business VAS.
5. Buyers will be responsible for collecting all applicable taxes, surcharges and other fees from its Broadband Services End Users, third party ISPs purchasing Wholesale DSL Services or BTAS and Non-Affiliate End Users and for remittance of same to the appropriate taxing and/or regulating authority.

### **C. Subscriber Relationships and Terms of Service**

1. End Users will be subscribers of record of Buyers. Non-Affiliate End Users will be the subscribers of record of Buyers or the third party ISP (other than Supplier), based on the serving arrangement applicable to such third party ISP. Supplier will bill third party ISPs via Supplier's then-existing Members Only user interface.
2. Buyers will provide Supplier with its terms of service requirements and Supplier will, during the ISP Service Term, incorporate such requirements into Supplier's end user terms of service and present such terms of service to new End Users during the registration process for the Broadband Service as part of the presentation of Supplier's terms of service.
3. Supplier will offer all ISP Services, VAS, Business VAS and Portal Services directly to End Users during the ISP Service Term. Supplier will present all End Users with its applicable terms of service relating to the ISP Service, VAS, Business VAS or Portal Service subscribed to and such terms of service will include, where applicable, provisions pertaining to Local Loop and any other services that Buyers provide to End Users. For the avoidance of doubt, all retail ISP Services, VAS, Business VAS and Portal Services provided under this Schedule D during the ISP Service Term by Supplier to End Users, third party ISPs and Non-Affiliate End Users will be provided by Supplier and not by Buyers.
4. Existing Consumer End Users and Business End Users will be allowed to retain their existing e-mail addresses with the domain [user ID]@verizon.net during the applicable ISP Services Term but not thereafter. Not later than ninety (90) days prior to the end of

the ISP Services Term, Supplier and Buyers will agree upon plan to migrate End User e-mail accounts to Buyers' chosen email provider. In the event migration of such email accounts is not completed by the end of the ISP Services Term, Buyers will bear all licensing fees incurred by Supplier associated with any storage or continuation of email services by Supplier after the end of the ISP Service Term.

#### **D. Branding and Marketing**

1. Except as otherwise expressly set forth in this Schedule D, the VOL brand will appear throughout the consumer and business DSL, FTTP and Dial-up Internet portals, media and supporting websites (including FAQs, the Verizon Central websites and all ISP Services, VAS, Business VAS, Portal Services and associated web pages).
2. Consumer and SMB run-once landing pages (e.g., the installation welcome page) and installation media for consumer and business dynamic DSL and FTTP services will be co-branded with VOL and Buyers' brands.
3. No Buyers branding will appear on (i) the consumer and SMB dial-up Internet or consumer and business Mobility dial-up Internet access services, or on modem or router installation materials or equipment, (ii) the consumer or business DSL or FTTP portals, including the Portal Services, (iii) the consumer and SMB dial-up Internet service portal, (iv) VAS Services, or (v) on any services, portals, products, media or supporting websites relating to such services.
4. Buyers will be solely responsible for the marketing and promotion of all Broadband Services, Wholesale DSL Services and BTAS at their sole cost and expense. Sales of all such services will be through Buyers' customer service sales channels. Supplier will not make available to Buyers Supplier's marketing, account service or sales websites (e.g., Verizon.com) or any third party vendor account service or sales channels or websites.
5. Supplier may freely market VAS, Business VAS and Portal Services to End Users and Buyer shall provide reasonable cooperation to facilitate such marketing efforts.
6. As determined by Supplier and subject to Buyers' prior review, Buyers will include clear and conspicuous statements in marketing and promotional materials and sales representative scripting disclosing that ISP Services, VAS, Business VAS and Portal Services are provided by Supplier during the ISP Service Term.
7. The parties will negotiate a trademark license agreement to permit the branding contemplated in this Schedule D.
8. Buyers will bear all costs, including but not limited to, all promotions and marketing activities related to the sale and provisioning of Broadband Services, Wholesale DSL Services and BTAS which Buyers, in its sole discretion, may choose to undertake from time to time.

#### **E. Installation and Registration Processes**

1. Supplier will provide and manage all installation and registration activities for all Broadband Services, VAS, Business VAS and Portal Services pursuant to its then-

existing installation and registration processes. Verizon Teleproducts group will handle subscriber inquiries from End Users regarding CPE according to its then-existing processes and in a manner that is the same as or substantially similar to that provided to similarly situated subscribers to Supplier's own similar services.

2. Buyers will provide all necessary and appropriate support and assistance to Supplier and End Users in connection with the installation and provisioning of Broadband Services, Wholesale DSL Services and BTAS.

#### **F. Subscriber Data, Privacy and Security**

1. End User data related to the ISP Services, VAS, Business VAS, Backhaul and Portal Services will be owned and controlled by Supplier during the ISP Service Term. Subscriber data related to Local Loop Services will be owned and controlled at all times by Buyers. Supplier agrees that, effective as of the expiration or termination of the ISP Service Term and subject to applicable legal, regulatory and licensing requirements and obligations, all billing, service and account data relating to End Users of the corresponding ISP Services will become the property of Buyer without any further action required by either party. However, Supplier agrees to take any reasonable action requested by Buyers in order to convey ownership of such data to Buyers as of such time or to perfect Buyers' ownership of such data.
2. Buyers and Supplier network and security operations will work cooperatively in responding to civil and criminal subpoenas and other lawful requests for subscriber information. Supplier and Buyers agree to work cooperatively to comply with law enforcement requests under the Communications Assistance Law Enforcement Assistance Act ("CALEA"), as amended. During the ISP Service Term, Buyers shall bear all costs of CALEA compliance pertaining to law enforcement requests affecting the States, including, as applicable, securing necessary security clearances for Buyers' personnel and the purchase, installation and maintenance of CALEA compliant hardware, software and maintenance systems.

Notwithstanding the provisions of Section 22.15 of the Transition Services Agreement, the privacy policy of the party which provides a particular service will apply and control. Supplier and Buyers each agree to comply with Supplier's privacy policies with respect to their respective use and safeguarding of all such End User information for all services subject to this Schedule D during the ISP Services Term.

3. Each party will at all times comply with all applicable laws, rules and regulations regarding the use of subscriber data, privacy, spyware, data protection and data breach reporting and email and telemarketing activities.

## **G. Customer Care**

Supplier will be the first point of customer contact for Broadband Services, ISP Services, VAS, Business VAS and Portal Services inquiries. End User support issues reported to Supplier that relate to Local Loop Services will be referred: (i) to the Verizon MCO according to existing processes for Consumer Broadband Services, and (ii) to Buyer for Business Broadband Services.

## **H. Maintenance and System Upgrades**

1. Supplier will maintain the Backhaul and ISP Services in a manner comparable to the manner in which it maintains such services outside the States. Primary maintenance windows for such services will reflect those maintenance windows under which Supplier and its affiliates operate on a national basis.
2. Supplier will make system upgrades and changes to services provided by Supplier hereunder available to Buyers according to its then-existing upgrade and change windows and processes upon making them available to Supplier's other operations providing similar services. Supplier shall be under no obligation to create or maintain a separate back office provisioning system for Buyers. Buyers shall accept all such system upgrades and changes Supplier provides to it at no additional charge and will implement them within a reasonable time in accordance with Buyers' change control procedures.

## **I. INTENTIONALLY OMITTED**

## **J. Notices**

Notices provided under the Agreement pertaining to this Schedule D, if to Verizon, shall be sent as described in Section 22.1 of the Transition Services Agreement, and also to:

Verizon Online  
1880 Campus Commons Drive  
Reston, Virginia 20191  
ATTN: Thomas M. Dailey, General Counsel  
Facsimile: 703.295.4238

Notices sent to Buyers shall be sent as described in Section 22.1 of the Transition Services Agreement.

## **K. BASIC SERVICES FEES**

Buyers shall pay Supplier the following:

Buyers shall pay Supplier a Fixed Monthly Service Fee of **\*\*\*Begin Proprietary\*\*\***  
**\*\*\*End Proprietary\*\*\*** for Schedule D Services.

## **L. TERM OF SERVICE**



This Schedule D will have the term described in the Transition Services Agreement (the “ISP Service Term”) and must be terminated at the same time as Schedule A Services.

**M. TRANSITION ASSISTANCE**

Any transition requirements relating to this Schedule D shall be subject to the terms and conditions of the Cutover Plan.

**N. INCORPORATION OF SCHEDULE A GENERAL PROVISIONS.**

The “General Provisions and Select Definitions” of Schedule A to the Transition Services Agreement are incorporated herein by this reference.

## **Schedule E: Certain ISP Cutover-Related Matters**

This Schedule E sets for the agreement and understanding between and among Buyers and Supplier (acting through its affiliates Verizon Internet Services Inc. and GTE.net LLC (collectively, "VOL") and/or other Supplier Affiliates) with respect to the transition of certain Internet services at or following the Cutover Date. The terms of this Schedule E shall be incorporated into the terms of the Cutover Plan which shall be developed by Supplier and agreed to by the parties. Defined terms shall have the meaning set forth in Transition Services Agreement and Schedule D unless otherwise set forth herein.

- 1. IP Address Changes:** Supplier maintains three types of Internet Protocol ("IP") addresses in connection with the provision of Internet access and related services and support in the Territory: static, dynamic and administrative (collectively, the "Supplier IP Pool"). Buyers acknowledge and agree that Supplier shall retain all IP addresses used to provide or support Internet access services (which shall consist of all consumer and business digital subscriber line ("DSL"), FiOS (fiber) based Internet access services (collectively, "Internet Access Services")), dedicated Internet access services ("DIA Services") and Other ISP Services (as defined below) in the Territory after the Closing Date. Internet Access Services, DIA Services and Other ISP Services are collectively referred to herein as "Internet Services". The Parties agree that the Cutover Plan will provide a process for the migration of all transferred Supplier Internet Service customers out of the Supplier IP Pool as of the Cutover Date or such other date as Supplier may designate according to the following schedule: (a) for transferred Internet Services (other than DIA Services) for which IP addresses are dynamically assigned, within 15 days after the Cutover Date; and (b) for transferred Internet Services for which static IP addresses are assigned, and DIA Services, within 90 days after the Cutover Date. The Parties further agree that a separate migration process will be developed to plan for the change-out of all Supplier administrative IP addresses effective as of 90 days after the Cutover Date defined in the Transition Services Agreement.
- 2. Third Party and Supplier-Branded Value Added Services ("VAS") Services:** Buyers acknowledge and agree that to the extent Supplier provides VAS and Business VAS under Schedule D, Supplier may cease providing such services at any time and shall in any event have no obligation to provide such services after the Cutover Date. In the event Supplier elects not to provide, or ceases to provide, all or a portion of VAS or Business VAS, Buyers shall be responsible to provision its own such services and Supplier and Supplier's third party suppliers shall bear no further responsibility to Buyers or Buyers' End Users to provide such services. Buyers further acknowledge that VAS and Business VAS may be part of a service package or bundle and recognizes that such service bundles will

terminate at Cutover, or at such time prior to Cutover as Supplier no longer offers such services, unless replaced by Buyers.

- 3. IP Transport Agreement and IP Backbone Circuits:** The Parties agree as part of the Cutover Plan, Supplier will provide, for a period of ninety (90) days after the Cutover, Backhaul Services as defined in Schedule D, Section B.1(b) under the terms of Supplier's then-existing agreements with Verizon Business or third party circuit provider(s) for such services. Buyers agree that during such ninety (90) day period (and any extensions thereof mutually agreed upon by the parties in writing), Buyers shall reimburse Supplier for all amounts due by Supplier to Verizon Business or third party circuit provider(s) for such Backhaul Services within thirty (30) days of receipt of an invoice from Supplier for such services. Payment by Buyers of such amounts shall be in addition to the Transition Services Fees defined under the Transition Services Agreement.
- 4. Email Forwarding:** Buyers shall establish and be responsible for providing and supporting electronic mail ("email") boxes on Buyers' email platform for all End User email boxes, including primary and sub-accounts, transferred to Buyers as of the Cutover (the "Buyers Email Platform"). The Parties agree as part of the Cutover Plan, Supplier will forward Buyers' End Users' email from such customers' verizon.net accounts (collectively, the "Supplier Email Platform") to such customers' corresponding email accounts resident on the Buyers Email Platform for a period of ninety (90) days after the Cutover Date at no charge to Buyers. Upon the expiration of such ninety (90) day period, Supplier agrees to forward verizon.net email for an additional period not to exceed one hundred and eighty (180) days at a monthly cost of \$0.45 per email box on the Supplier Email Platform. Supplier currently estimates that there will be approximately 280,000 total customer primary and sub-account email boxes at the Closing Date, though the actual number of email boxes may be higher or lower.
- 5. Domain Name Email.** Buyers acknowledge and agree that Supplier will cease providing DNE as set forth in Section A.5., and that such DNE services shall be transferred from the Supplier's email service platform to Buyers' email service platform, as of the Cutover Date. The Parties agree as part of the Cutover Plan, Supplier will forward Buyers' business DNE accounts to such customers' corresponding email accounts resident on the Buyers Email Platform for a period of ninety (90) days after the Cutover Date at no charge to Buyers. Each DNE customer will be required to change its own DNE service settings by changing the service provider setting from the Supplier to the Buyers. Buyers shall be responsible for communicating to DNE customers the actions required to "re-point" their DNE from the Supplier's email service platform to Buyers' email service platform. Buyers agree to complete the foregoing transition of all DNE customers within ninety (90) days after the Cutover Date. After such ninety (90) day period, Supplier will terminate all email services access for Buyers' DNE customer base without any further liability or responsibility to Buyers or its DNE customers.

6. **POP Assets.** The Parties acknowledge and agree that Supplier's POP Assets, which consist primarily of routers, ATM and Ethernet switches, firewalls and management network equipment, are not Network Elements and are not part of the Merger Transaction. The immediately previous sentence notwithstanding, at the conclusion of the Cutover Plan (including all migration activities) Supplier agrees to offer its POP Assets to Buyer for a purchase \$1.0 M plus the amount of any investment (including related installation costs) in such POP Assets between the September 30, 2006 and the Cutover Date. The Parties agree to include the terms for such transfer of POP Assets in the Cutover Plan. The attached Appendix A shows the POP Assets recorded as of the third quarter of 2006.
  
7. **Indemnification:** Buyers shall indemnify, defend and hold harmless Supplier (and its affiliates and their respective officers, directors, employees, agents and contractors) from and against all claims, causes of action and liabilities, whether in contract, tort or otherwise, relating to or arising from (a) Buyers' provisioning of Internet Services during and after any transition or migration period under this Schedule E, (b) Buyer's breach of any provision of this Schedule E, (c) Supplier's provision of or modification to any services provided by Supplier under this Schedule E, or (d) any violation of law, regulation or ordinance relating in any manner to Buyers' provisioning of Internet Services or performance under this Schedule E.

[Remainder of page left intentionally blank]