

**VERIZON NEW ENGLAND INC.**

**d/b/a VERIZON NEW HAMPSHIRE**

**STATE OF NEW HAMPSHIRE**

**DOCKET NO. DT 07-011**

**REBUTTAL 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.**

**SEPTEMBER 10, 2007**

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

3 A. My name is Stephen E. Smith. I am the Vice President of Business Development for the  
4 Domestic Telecommunications group of Verizon Communications Inc. (“Verizon”).

5 **Q. ARE YOU THE SAME STEPHEN E. SMITH WHO FILED DIRECT**  
6 **TESTIMONY IN THIS PROCEEDING ON MARCH 23, 2007?**

7 A. Yes.

8 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

9 A. The purpose of my rebuttal testimony is to provide additional and updated information  
10 concerning the cutover that will occur at the conclusion of transition service delivery, to  
11 explain the cutover planning of Verizon and FairPoint and in particular the methods and  
12 safeguards the parties are building into that process to ensure a successful result, and to  
13 address other issues raised by Intervenors in their direct testimony.

14 **CUTOVER PLANNING**

15 **Q. PLEASE EXPLAIN THE STATUS OF VERIZON’S AND FAIRPOINT’S**  
16 **PLANNING FOR THE CUTOVER OF CENTRALIZED SYSTEMS AND**  
17 **SERVICES FROM VERIZON TO FAIRPOINT.**

18 A. As I stated in my direct testimony, the parties have established a Cutover Planning  
19 Committee to discuss and plan cutover activities and formulate a detailed schedule of  
20 cutover steps with a related timeline. The Cutover Planning Committee is comprised of  
21 senior leaders at Verizon, FairPoint and Capgemini and continues to meet weekly by  
22 teleconference to review progress, identify issues and agree on a plan for issue resolution.  
23 Reporting to the Cutover Planning Committee are Single Points of Contact (SPOCs) or

1 Business Leads that represent broad functional areas within each company. These  
2 SPOCs/Business Leads are further supported by subject matter expert, or “SME,” teams  
3 from each company, who have authored their company’s respective Cutover Plans and  
4 Cutover Preparation Tasks. These teams have been working together regularly since  
5 April and will continue to do so until the Cutover. Their mission is to detail specific  
6 Verizon work that will be cut over, identify the needed capabilities at FairPoint, prescribe  
7 the timing and steps for work-activity hand-off and – ultimately – perform the Verizon  
8 side of that work-activity hand-off.

9 **Q. PLEASE DESCRIBE THE ROLE, PURPOSE AND STATUS OF THE CUTOVER**  
10 **PLAN.**

11 A. The Cutover is guided by two work plans, developed separately by Verizon and FairPoint  
12 (each with input from the other party) to address individual company work activities, but  
13 integrated as to timeline and necessary hand-offs between the parties. The Verizon plan  
14 is called the Cutover Plan, and the FairPoint plan is called the Cutover Preparation Tasks.  
15 The parties exchanged initial drafts on April 15<sup>th</sup>. Following this exchange, subject  
16 matter experts from each side met to discuss the plans, and the parties exchanged formal  
17 comments about the other’s plan. Verizon and FairPoint subsequently exchanged final  
18 versions of the Cutover Plan and the Cutover Preparation Tasks. A copy of the Verizon  
19 Cutover Plan is filed herewith as Proprietary Exhibit SES-5.

20 The Verizon Cutover Plan describes the process and the program management  
21 tools that Verizon will use to convey the Northern New England business from Verizon  
22 to FairPoint. This plan describes the business information and customer/business data  
23 that is used by the business and will be required by FairPoint to manage the business on a

1 going forward basis. The Cutover Plan is comprised primarily of two components: (1)  
2 Functional Cutover Plans, and (2) a Deliverable Schedule.

3 **Q. PLEASE DESCRIBE THE FUNCTIONAL CUTOVER PLANS INCLUDED IN**  
4 **THE CUTOVER PLAN.**

5 A. There are 130 individual, functional cutover plans in the Cutover Plan. Each describes  
6 the activities Verizon will undertake in preparation for Closing and Cutover with respect  
7 to a particular business function and provides the related timing. In addition, the  
8 functional cutover plans identify certain requirements of FairPoint to prepare for and  
9 enable the Closing and Cutover.

10 The functional cutover plans also reference the systems Verizon utilizes to  
11 support each business function. Verizon will not, however, extract the data from each of  
12 these systems as part of the Cutover. Rather, the authoritative source of the business data  
13 used by these systems is contained in a smaller group of systems known as the “golden  
14 source” systems. Verizon will extract data only from these “golden source” systems for  
15 delivery to FairPoint.

16 **Q. WHAT IS THE DELIVERABLE SCHEDULE?**

17 A. The Deliverable Schedule details nearly 1,600 cutover steps and their expected start and  
18 completion dates. The Deliverable Schedule is updated regularly to monitor progress and  
19 track activity completion, and updates are distributed to the Verizon and FairPoint teams.  
20 The Schedule serves as a tool during the weekly intercompany calls to verify that the  
21 deliverables have been sent by Verizon and to confirm receipt by FairPoint.

1 **Q. PLEASE DESCRIBE THE PURPOSE OF FAIRPOINT'S CUTOVER**  
2 **PREPARATION TASKS.**

3 A. The Cutover Preparation Tasks identifies and describes the work activities that FairPoint  
4 will perform to receive, map and test data extracts and receive the hand-off of business  
5 operations – in other words, to prepare for and effectuate the Cutover. The Preparation  
6 Tasks and the Cutover Plan are important tools the parties use to coordinate and  
7 synchronize their efforts and thereby help ensure a successful Cutover. In addition, the  
8 visibility that the Preparation Tasks gives Verizon into FairPoint's planned activities puts  
9 Verizon in a better position to respond, based on Verizon's experience and the nature of  
10 its systems, should FairPoint consult with Verizon concerning FairPoint's readiness for  
11 Cutover. Further detail regarding the FairPoint Cutover Preparation Tasks is provided in  
12 the panel testimony of Mr. Haga and Mr. Kurtze on behalf of FairPoint.

13 **Q. WHAT HAVE THE PARTIES DONE TO ENSURE OPEN AND EFFECTIVE**  
14 **COMMUNICATIONS AND COORDINATION BETWEEN THEM AND AMONG**  
15 **THEM AND CAPGEMINI AS THE CUTOVER PROCESS PROGRESSES?**

16 A. The Cutover Planning Committee, the SPOCs, and the SMEs believe that the open  
17 sharing of information is a key ingredient to developing a good working relationship and  
18 an effective Closing and Cutover. Accordingly, and in addition to daily phone calls and  
19 regular meetings, the parties have adopted a number of tools designed to ensure close  
20 coordination. These control tools include the following:

- 21 • Issues Management Process – Verizon tracks issues raised by either Verizon or  
22 FairPoint subject matter teams. Open items are reviewed weekly by the Cutover  
23 Planning Committee.

- 1           • Change Management Process – Verizon has also initiated a Change Request Log to  
2           record and track requested changes to a Cutover Plan process or Deliverable  
3           Schedule. Change requests can be initiated by either Verizon or FairPoint.
- 4           • Final Delivery Matrix – This is a subset of the Deliverables Schedule, used to manage  
5           the delivery of the final data extracts at Cutover. The matrix will contain the logistics  
6           of delivery and pick-up of the critical data required by FairPoint.
- 7           • WEBEX – This is a web-based tool used to share information across a wide range of  
8           participants comprised of Verizon and FairPoint teams, including consultants. It is  
9           being administered by Verizon and is secure.
- 10          • Data Mapping Sessions – Meetings held at FairPoint’s request to provide clarification  
11          of data deliverables. The data mapping sessions have begun and can be described as  
12          very detailed reviews of the layout or specifications of the data records contained in  
13          the data extracts. Record specifications have been provided to FairPoint for each of  
14          the golden source systems. These record specifications are also called “copybooks.”  
15          The data mapping sessions are designed to give FairPoint an opportunity to discuss  
16          and better understand field values of data files.

17 **Q. HOW HAVE THE PARTIES STRUCTURED THE CUTOVER PROCESS?**

18 A. The Cutover process consists of five stages. The first stage, Initialization, was  
19 characterized by a series of meetings among Verizon, FairPoint and Capgemini to  
20 provide and discuss information regarding cutover process, timeline, Verizon’s data  
21 extracts and the development by the parties of the Cutover Plan and the Cutover  
22 Preparation Tasks. A face-to-face kick-off meeting was held in February of 2007. The  
23 parties met in person again in March, when Verizon presented FairPoint with summary

1 descriptions of the IT systems which currently support the Northern New England states  
2 and a listing of the approximately 130 golden source systems from which data will be  
3 extracted. In late April and into May, Verizon held a workshop for FairPoint to describe  
4 extract system data and provide and review static and dynamic data samples, such as  
5 system relationships, data tables, extract file types and copybooks (record specifications).  
6 In addition to these formal meetings, Stage 1 was marked by meetings and  
7 teleconferences between SMEs – both internal to each company and joint.

8 At FairPoint, Stage 1 activities included IT system selection, some initial data  
9 mapping, selection of future vendors, staffing, and investigation of new work-center  
10 locations. Please see the rebuttal testimony of Peter Nixon on behalf of FairPoint for  
11 discussion of FairPoint's work on these issues. Stage 1 ended with the delivery by the  
12 parties of their respective Cutover Plan and Cutover Preparation Tasks documents on  
13 June 15, 2007.

14 **Q. WHAT IS STAGE 2 IN THE CUTOVER PROCESS?**

15 A. In stage 2, Verizon will deliver the first of three, full data extracts from its golden source  
16 systems. The purpose of the first and second data extracts is to test how well Verizon can  
17 extract the appropriate data from its systems and deliver it to FairPoint, as well as the  
18 readiness and ability of FairPoint's systems to receive and use the data. At the point of  
19 extract, Verizon IT teams will extract, test and confirm that data has been successfully  
20 extracted from all targeted systems and that each set of extracted data is complete. Once  
21 Verizon delivers the test data extract, FairPoint and Capgemini will process the data  
22 through a series of conversion programs now being developed by Capgemini and then  
23 load it into the new FairPoint systems. From there, FairPoint and Capgemini will



1 determine whether the conversion programs functioned as intended and whether the data  
2 was successfully input and accepted by the system.

3 A few days after providing the extract, Verizon will meet with FairPoint and  
4 Capgemini to obtain their feedback on the extraction and delivery process. The parties  
5 will also discuss any issues that need to be addressed. In addition to that meeting, the  
6 parties will meet again approximately 30 days after the first test data extract to discuss  
7 any difficulties encountered by FairPoint in the processes of converting the data and  
8 uploading it into the new FairPoint systems. These sessions will provide lessons that will  
9 be used to improve the second extract and the final extract processes.

10 Verizon delivered the first data extract to FairPoint starting on August 28<sup>th</sup> and  
11 will complete the process by mid-September.

12 **Q. WHAT IS STAGE 3 IN THE CUTOVER PROCESS?**

13 A. Stage 3 is similar to Stage 2. Verizon will provide FairPoint with updated copybooks and  
14 a second set of data extracts. As in Stage 2, the parties will exchange feedback on the  
15 results of the second test data extracts through a series of meetings. During this stage, the  
16 parties expect to close the transaction. Accordingly, Stage 3 activities include closing-  
17 related activities, including providing all required carrier and customer notifications.<sup>1</sup>

18 **Q. WHAT IS STAGE 4 IN THE CUTOVER PROCESS?**

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<sup>1</sup> Specifically, at least 30 days prior to closing, FairPoint (Telco and Newco) will provide the notices required by applicable Commission rules and 47 C.F.R. § 64.1120(e) (for the transfer of customers from another telecommunications provider without obtaining each subscriber's individual authorization and verification) to Verizon's customers in New Hampshire and will submit such notice to Staff and the Commission. In accordance with applicable rules, customers will be notified of the transaction and informed that FairPoint's new operating subsidiaries Telco and Newco will be responsible for any carrier change charges associated with this transfer and that the customers will be transferred to Telco or Newco, as applicable, unless they select a different carrier.

1 A. Stage 4 is triggered by FairPoint, when it delivers to Verizon a Notice of Readiness for  
2 Cutover (as described in the Transition Services Agreement between the parties).  
3 Thereafter, Verizon will make final preparations for the final delivery of data, including  
4 implementing any process improvements in response to the second test data extract.  
5 Before FairPoint gives the Notice of Readiness, the parties will coordinate closely to  
6 confirm that FairPoint will be ready to consummate the cutover on the Cutover Date  
7 selected.

8 **Q. WHAT IS STAGE 5 IN THE CUTOVER PROCESS?**

9 A. Stage 5 is the Cutover, which the parties expect will occur on May 31, 2008. In this  
10 stage, Verizon will prepare and deliver the final data extracts in a manner consistent with  
11 the first and second extracts but incorporating any changes and improvements made as a  
12 result of those prior extracts. This final stage is tightly managed by a Delivery Matrix as  
13 described above, which will be used to track data and operational delivery activities. For  
14 each deliverable, the matrix will list delivery date and hour, method of delivery, and  
15 geographic location if the method of delivery is a pick-up.

16 **Q. WHAT HAPPENS AT THE CUTOVER ITSELF?**

17 A. At Cutover, the Verizon teams will stop processing the business activities and begin the  
18 extract process. Verizon will prepare and deliver the final extracts. Verizon will also  
19 provide record counts and other system metrics to confirm that the data being provided to  
20 FairPoint is complete. Upon receipt of the data, FairPoint will then run the data through  
21 conversion programs and upload it into its new systems. During Cutover, Verizon will  
22 provide a 24-hour, seven-day per week, service desk, or command center, to assist  
23 FairPoint and address questions regarding the transferred data and transferred operations.

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1 The service desk will also monitor on an hour-by-hour basis the progress of all Verizon  
2 IT tasks scheduled in the Delivery Matrix to be performed as part of the Cutover.  
3 Verizon will staff this service desk for approximately two weeks after the Cutover to  
4 ensure that all the necessary work has been completed.

5 The extraction, delivery and uploading of Verizon's business data will take a  
6 period of three to five days to complete. Because of this, Verizon plans to start the  
7 Cutover after close of business on a Friday to take advantage of the weekend. FairPoint  
8 will begin data mapping and final system upload during that same weekend. This  
9 practice reduces the number of business days that FairPoint may be without live system  
10 support of customer information.

11 **Q. LABOR WITNESS RANDY BARBER, AT PAGES 42 AND 43, EXPRESSED**  
12 **CONCERN THAT THE SYSTEMS CONVERSION EFFORT AT AND AFTER**  
13 **CUTOVER MAY NOT GO SMOOTHLY. HE POINTS TO CONVERSION**  
14 **PROBLEMS EXPERIENCED BY HAWAIIAN TELECOM IN CONNECTION**  
15 **WITH ITS PURCHASE OF LANDLINES FROM VERIZON AS AN EXAMPLE.**  
16 **PLEASE COMMENT.**

17 A. Those concerns are not well founded. I directed Verizon's cutover management team in  
18 the Hawaii transaction, as I am doing in this case. While the Hawaii project may bear  
19 resemblance to this transaction at a certain level (e.g., a large transfer of landlines, a TSA  
20 agreement and a third-party consultant developing systems for the new owner), the  
21 analogy ends there. The transferees are different, the consultants are different, the  
22 management process in this case is far more open and controlled, the level of engagement  
23 by FairPoint and Capgemini is much greater, the term and fee structure of the TSA are

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1 different, and the parties here have added formal and informal features to the process to  
2 insure that the actual or alleged problems in Hawaii will not arise here.

3 In the first place, the difference between working with FairPoint and Capgemini  
4 and working with the Hawaii buyer and its consultant is like the difference between night  
5 and day. The buyer in Hawaii was a private equity firm with limited experience in the  
6 telecommunications business. That buyer was in the process of assembling a team to  
7 manage its new business even while the transaction was progressing toward state  
8 commission approval, closing and cutover. In contrast, FairPoint's senior management  
9 team has been working together for many years, has substantial experience in acquiring,  
10 integrating and operating telecommunications carriers and has devoted its full attention to  
11 this transaction from the beginning. As a result, FairPoint has a much better  
12 understanding of, and far greater experience with, the tasks that need to be performed to  
13 ensure a smooth transition and how to accomplish them, and it is far less dependent on  
14 Verizon or third parties for telecommunications skills and advice.

15 Second, the buyer of Verizon's lines in Hawaii did not retain its consultant until  
16 five months after the transaction documents were signed. In the interim, the consultant  
17 was unwilling to commit time and resources to the project. During this period, Verizon  
18 saw only small consulting teams, and turnover on those teams was high. In contrast,  
19 Capgemini was on board with FairPoint before the parties signed the Merger and  
20 Distribution Agreements in January of this year. In the same eight-month interval from  
21 contract signing, Capgemini is clearly much further along than was the buyer's consultant  
22 in Hawaii. With Capgemini's help, FairPoint has already (a) developed a "future state"  
23 capability model defining the scope of the planned organization and its related system

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1 and business process needs, (b) established a definitive cutover timeline with interim  
2 milestones and deliverables, and (c) selected and negotiated most of its needed IT  
3 systems and related hardware. With respect to IT systems, for example, FairPoint has  
4 completed its inventory of the more than 70 major systems used by Verizon for ordering  
5 and care (9); web access (3); trouble ticketing (3); billing (5); rating (5); carrier access  
6 billing (4); enterprise management (8+ systems supporting finance, human resources,  
7 payroll, accounts payable, accounts receivable, real estate, supply chain and risk  
8 management); gateways (7); bill mediation (2); inventory and activation (7); network  
9 planning, design and engineering (8); fault management (2); security management (2);  
10 workforce management (3) and performance management (2). FairPoint has also  
11 selected fifteen replacement systems from well-respected solution providers within the  
12 industry.<sup>2</sup> By contrast, the buyer in Hawaii and its consultant did not reach this stage  
13 until after the close of that transaction and well into the transition service delivery period.

14 Third, the TSA for the Hawaii transaction had a term of eleven months and  
15 provided that the monthly fees for Schedule A services would double if the buyer  
16 continued to require TSA services following expiration of the initial term. In contrast,  
17 the TSA between Verizon and FairPoint is open-ended – FairPoint is free to purchase  
18 services for as long as it deems necessary. Moreover, the monthly Schedule A fees under  
19 the current TSA dip by \$500,000 each month in months 9 through 12, assuming those  
20 months to be necessary, and then increase to \$14.7 million in month 13; thereafter,  
21 monthly Schedule A fees rise by \$500,000 each month. As a result, even if FairPoint  
22 were to continue under the TSA for 16 months, its monthly Schedule A fees would

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<sup>2</sup> In selecting replacement systems, FairPoint has been able to dramatically reduce the number of systems, because its new design is not chained to a legacy information architecture.

1 average a flat \$14.2 million. Only after month 16 would FairPoint see an effective price  
2 increase, and that too would be incremental.

3 Finally, perhaps as a result of FairPoint's experience and attention, Verizon and  
4 FairPoint have engaged in much more open, detailed and fulsome communications on  
5 this project than Verizon experienced in its Hawaii transaction. Consequently, Verizon  
6 and FairPoint are coordinating their cutover efforts more closely and to a much greater  
7 degree than in Hawaii. In addition, due to the introduction of the Cutover Preparation  
8 Tasks (i.e., the FairPoint plan), Verizon has a better understanding of and visibility into  
9 the systems that Capgemini is developing to receive and use Verizon's data after Cutover.  
10 This substantially reduces the risk of incompatibility between that data and those  
11 systems.

12 **Q. HOW HAVE VERIZON AND FAIRPOINT PROVIDED FORMALLY FOR**  
13 **GREATER COMMUNICATIONS BETWEEN THEM IN THE CUTOVER**  
14 **PROCESS?**

15 A. In two important ways. In prior transactions (including Hawaii), Verizon had no formal  
16 method for obtaining information about the steps the other party planned to take in  
17 preparation for cutover and no formal method for Verizon to provide feedback on those  
18 plans. In this transaction, Verizon included provisions in the TSA calling for the creation  
19 of the FairPoint Preparation Tasks in order to provide for such communications. In  
20 practice, the FairPoint Preparation Tasks has already proven to be a useful tool in helping  
21 Verizon understand FairPoint's plans for cutover and for the parties to coordinate and  
22 integrate those plans. In the process, Verizon has responded to FairPoint's requests for

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1 feedback on its plans, which has resulted in FairPoint and Capgemini refining their plans  
2 and reconsidering the scalability of some of their initial system selections.

3 Second, the feedback Verizon received from the Hawaii purchaser in response to  
4 the test data extracts performed in that project was generally limited in scope to the  
5 delivery of Verizon's data. Verizon received very little feedback as to whether and to  
6 what extent the purchaser and its consultant had successfully converted and uploaded that  
7 data into the new systems or how successfully the new systems replicated Verizon's  
8 results. Based on that experience, Verizon and FairPoint have agreed to add the second  
9 set of meetings following each data extract, as I discussed above, in order to provide  
10 feedback to Verizon specifically on the conversion and uploading effort by FairPoint and  
11 Capgemini and to discuss any modifications to the extraction, delivery, conversion and/or  
12 uploading processes that may be necessary.

13 These formalized communications procedures – together with FairPoint's  
14 experience, Capgemini's expertise and timeliness and the open communications and tight  
15 coordination between the parties – provide further assurance of a successful Cutover.

16 **Q. MR. PERES CLAIMS ON PAGE 30 OF HIS DIRECT TESTIMONY THAT**  
17 **MANY UNION EMPLOYEES HAVE EITHER RETIRED OR OTHERWISE**  
18 **LEFT THE AREA SINCE THE DEAL WAS ANNOUNCED. SHOULD THE**  
19 **COMMISSION BE CONCERNED?**

20 **A.** No. As of July 31, 114 Verizon associates from a variety of different departments and  
21 disciplines in the northern New England states have either left the area or left the  
22 Company since the deal was announced. More specifically, 25 employees have retired,  
23 45 have bid and received assignments in states other than New Hampshire, Maine or

1 Vermont and 44 employees left the business for other reasons including jobs outside of  
2 Verizon, death and performance-related termination. However, 48 of these positions  
3 have already been filled, including 25 by Verizon associates who transferred in from  
4 other states.

5 **CONDITIONS PROPOSED ON THE CUTOVER**

6 **Q. SOME WITNESSES HAVE SUGGESTED THAT THE CUTOVER SHOULD**  
7 **NOT TAKE PLACE ALL AT ONCE, BUT SHOULD BE COMPLETED IN**  
8 **STAGES, PERHAPS ONE STATE AT A TIME. (SEE E.G., PELCOVITS**  
9 **TESTIMONY AT 63-64; PANEL TESTIMONY OF FALCONE AND KING**  
10 **(LIBERTY) AT 117.) ARE THESE PROPOSALS PRACTICAL?**

11 A. No. At the time of Cutover, the handoff from Verizon to FairPoint must be both  
12 complete in scope and final in terms of Verizon's involvement with service activities.  
13 The Cutover must be complete in scope because the systems and services being handed  
14 off to Fairpoint are highly integrated and cannot be separated without high cost and great  
15 risk of service disruption. Like most large service operations, Verizon's administrative  
16 and operating support systems are linked together and integrated into customer and  
17 network service operations. For example, customer orders move from entry to  
18 provisioning to billing to accounting to financial reporting. Billing drives customer care.  
19 Provisioning drives network monitoring, updates service assurance and tracks network  
20 availability. Network availability drives engineering requirements, which drive supply  
21 chain activities. Because of this linkage, a partial Cutover would be extremely complex  
22 and prohibitively expensive and would create great risk of disruption of "upstream" and  
23 "downstream" related activities to retail and wholesale customers.



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1           A separate cutover for each of the three states would also require an enormous  
2 amount of additional work and unnecessary expense to, among other things, isolate the  
3 data relevant to each state from that of the others and establish separate desk-top  
4 arrangements for common work centers. Such a plan would needlessly complicate an  
5 already complex process. It would also diminish existing operational efficiencies, as call  
6 volume management, inventory management, cross-border engineering, and other  
7 systems which “load-balance” and share support for the three states would have to be  
8 separated. Such an approach would also eliminate the ability of the company to continue  
9 certain services to customers, such as summary billing of multi-state services. Further,  
10 for the state in question, it would not change the perceived risk of a “flash-cut.” I  
11 appreciate Mr. Pelcovits’ concern that Cutover take place during weekends and evenings,  
12 non-peak use times, and that is why Verizon schedules Cutover to begin early on a  
13 weekend. For the reasons stated above, however, Cutover cannot be performed in  
14 separate stages.

15 **Q. MR. PELCOVITS SUGGESTS IN HIS TESTIMONY, AT PAGE 64, THAT**  
16 **VERIZON’S OSS SHOULD CONTINUE TO BE AVAILABLE TO WHOLESALE**  
17 **CUSTOMERS AFTER CUTOVER AS A BACK UP TO FAIRPOINT’S NEW**  
18 **SYSTEMS. IS THIS PROPOSAL PRACTICAL?**

19 **A.** No. The Cutover must be final to avoid service conflict. If Verizon and FairPoint both  
20 attempt to serve the same customers after Cutover, the parties run the risk of missing,  
21 duplicating or improperly recording a host of customer and/or network-related service  
22 information. Moreover, in order for Verizon’s existing systems to function as “shadow”  
23 or “back up” systems, they would have to be fully integrated with FairPoint’s new

1 systems, complete with conversion processes, so that orders submitted to FairPoint and  
2 other inputs would automatically flow to Verizon and be accepted by those systems.  
3 Verizon's systems would also have to be significantly modified to identify and refrain  
4 from taking action on FairPoint orders while continuing to process orders from Verizon's  
5 customers. Of course, these projects would be enormously costly and complicated  
6 undertakings in their own right, and are very likely to cause more problems than they are  
7 intended to prevent.

8 **TSA PRICING**

9 **Q. IN THEIR TESTIMONY FOR THE COMMISSION STAFF, LIBERTY**  
10 **RECOMMENDS THAT THE COMMISSION IMPOSE CERTAIN CONDITIONS**  
11 **RELATING TO THE PRICING OF THE TRANSITION SERVICES**  
12 **AGREEMENT BETWEEN VERIZON AND FAIRPOINT. (SEE PANEL**  
13 **TESTIMONY OF FALCONE/KING AT 118 AND VICKROY AT 41.) DOES**  
14 **VERIZON BELIEVE THOSE CONDITIONS ARE REASONABLE?**

15 A. As a preface, let me say that I don't believe the "reasonableness" of the TSA fees is an  
16 appropriate issue for this proceeding. The TSA services are not ones that Verizon is  
17 generally in the business of providing and are not offered at "common carriage."  
18 Likewise, the TSA fees are the result of negotiations of the parties and are not regulated  
19 rates.

20 That said, a comparison of the TSA fees to Verizon's annual allocations to Maine,  
21 New Hampshire and Vermont for centralized services demonstrates that the fees are very  
22 reasonable. The base or average rate of \$14.2 million/month under the TSA represents  
23 \$170.4 million annually. This compares favorably to the approximately \$243 million

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1 Verizon allocated to the three states in 2005 and the approximately \$270 million  
2 allocated in 2006, even accounting for the fact that the Schedule A services do not  
3 represent all centrally-provided services covered by the annual allocation. Thus, the  
4 monthly TSA fees are roughly equivalent to the fees that Verizon charges its state  
5 operations for providing the same services.

6 With respect to the monthly fee escalation starting in month 13, I note first that  
7 the increases in months 13 through 16 merely offset the prior fee decreases (or discounts)  
8 in months 9 through 12, so that FairPoint would pay only the monthly base rate, on  
9 average, for the first 16 months after Cutover (assuming FairPoint uses TSA services that  
10 long). In addition, FairPoint is very unlikely to be taking services under the TSA 16  
11 months after the closing. Verizon and FairPoint currently expect that Cutover will take  
12 place in late May of 2008, four months after closing, and FairPoint and Capgemini (who  
13 have been working on this project for many months already) are on schedule to meet that  
14 goal. An additional 12 months after the planned Cutover date allows ample time to  
15 complete the new systems development in a responsible, prudent fashion before actual  
16 fee increases would commence.

17 **Q. MR. PELCOVITS ASSERTS THAT THE MONTHLY ESCALATION OF TSA**  
18 **SCHEDULE A RATES AFTER MONTH 9 WILL PUT FAIRPOINT UNDER**  
19 **PRESSURE TO CUT OVER PREMATURELY IF ITS NEW SYSTEMS AREN'T**  
20 **READY BY THE END OF THE FIRST YEAR AFTER CLOSING. (PELCOVITS**  
21 **TESTIMONY AT 54-55.) PLEASE RESPOND.**

22 **A.** First, Mr. Pelcovits is mistaken regarding what happens with TSA fees in month 9. In  
23 month 9, TSA fees are reduced by \$500,000, not increased as purported by Mr. Pelcovits.

1           Moreover, I disagree that any of the terms in the TSA will put FairPoint under pressure to  
2           cut over prematurely for the reasons stated above; FairPoint wouldn't see a net increase  
3           in the monthly fees until after month 16, not month 9, and it is very unlikely that  
4           FairPoint will need TSA services that long. In any event, the monthly increase in fees is  
5           not large enough to motivate FairPoint to act in a way that would be harmful to  
6           customers.

7           **TRANSACTION ISSUES**

8           **Q.    IN HIS SUPER CONFIDENTIAL TESTIMONY ON BEHALF OF LABOR, AT 32**  
9           **AND 33, MR. BARBER ASSERTS THAT IN ORDER TO TRANSFER ITS**  
10           **BUSINESS IN MAINE, NEW HAMPSHIRE AND VERMONT, VERIZON**  
11           **NEEDED A PARTNER THAT WAS SMALL ENOUGH TO QUALIFY FOR**  
12           **REVERSE MORRIS TRUST TREATMENT UNDER THE TAX CODE, AND**  
13           **THAT IS WHY FAIRPOINT WAS SELECTED. PLEASE RESPOND.**

14          A.    Mr. Barber is wrong. Verizon believed then and believes now that FairPoint is highly  
15           qualified to own and operate this business. Verizon did not select FairPoint solely  
16           because it would permit the transactions to qualify for Reverse Morris Trust treatment.  
17           As it happened, we believe that the transaction with FairPoint does qualify for such  
18           treatment. In addition, if tax efficiency had been the sole transaction priority for Verizon,  
19           it could have simply spun the business directly to its shareowners, as it recently did with  
20           its directory publishing business.

21          **Q.    HAVE VERIZON AND FAIRPOINT AMENDED THE MERGER AGREEMENT**  
22           **OR THE DISTRIBUTION AGREEMENT SINCE THEY WERE PROVIDED TO**  
23           **THE PUC WITH YOUR INITIAL TESTIMONY IN MARCH OF THIS YEAR?**

Rebuttal Testimony of Stephen E. Smith on behalf of Verizon NH  
NH Docket No. DT 07-011  
September 10, 2007

1 A. Yes, the parties entered into amendments of those agreements on April 20, June 28 and  
2 July 3, 2007 making minor changes in certain aspects of the agreements. Amendment  
3 No. 1 to the Agreement and Plan of Merger, for example, clarifies that Closing will occur  
4 on the last business day of the month rather than the last Friday of the month. Among  
5 other changes, that amendment also gives Verizon additional time to designate candidates  
6 for the post-closing FairPoint Board of Directors and extends the potential termination  
7 date of the Agreement by about two weeks. Amendment No. 2 to the Agreement and  
8 Plan of Merger clarifies certain definitions and specific sections of the agreement, while  
9 Amendment No. 3 addresses the Stipulation between Verizon Maine and the Maine  
10 Office of the Public Advocate (OPA), approved by the Maine PUC in the AFOR  
11 proceedings, Docket No. 2005-155, on August 8, 2007, which provides for certain DSL-  
12 related Capital Additions.

13 Amendment No. 1 to the Distribution Agreement makes a number of minor  
14 changes and among them adds references to GTE.Net LLC to the definitions of  
15 "Contributing Companies" and "Spinco Business" to reflect that GTE.net LLC will be  
16 contributing business to Spinco in this transaction. Amendments No. 2 and 3 to the  
17 Distribution Agreement make definitional changes to certain sections.

18 Amendment No. 1 to the Agreement and Plan of Merger and Amendment No. 1 to  
19 the Distribution Agreement are attached hereto as Exhibit SES-6. Amendment No. 2 to  
20 the Merger Agreement and Amendment No. 2 to the Distribution Agreement are attached  
21 hereto as Exhibit SES-7, and Amendments No. 3 to each of the Agreements are attached  
22 hereto as Exhibit SES-8. The Petitioners seek the Commission's approval of this  
23 transaction as reflected in the Agreements as amended.

1 **Q. SOME WITNESSES CLAIM THAT FAIRPOINT DID NOT OBTAIN FROM**  
2 **VERIZON SUFFICIENT RECORDS OR INFORMATION ABOUT THE**  
3 **CHARACTERISTICS OR STATUS OF THE OUTSIDE PLANT IN NEW**  
4 **HAMPSHIRE TO MAKE AN INFORMED JUDGMENT OF THE PRESENT**  
5 **STATUS OF THE NETWORK. (SEE, E.G., PANEL TESTIMONY OF FALCONE**  
6 **AND KING AT 23-32 AND BREVITZ AT 89.) SHOULD THE COMMISSION**  
7 **HAVE ANY CONCERNS IN THIS AREA?**

8 A. No. The concern that FairPoint may lack sufficient information about Verizon New  
9 Hampshire's network to know its present condition, to determine how much additional  
10 capital spending might be appropriate, or to draw up plans for proposed DSL build-out,  
11 are entirely without merit. From the inception of negotiations between Verizon and  
12 FairPoint, including FairPoint's due diligence associated with acquiring the properties  
13 and the ongoing development of this proceeding, Verizon has had a thorough, candid and  
14 comprehensive exchange of network information with FairPoint. For example, Verizon  
15 has provided FairPoint with access to plats and other detailed engineering records  
16 regarding central offices, remote terminals and other outside plant for purposes of  
17 assessing network status and for designing FairPoint's plans to expand the availability of  
18 DSL service in the state. In addition, because this type of data is not readily available in  
19 useable form, Verizon's engineering staff has devoted substantial time and effort in  
20 working with FairPoint to assemble, provide and explain network data in response to  
21 requests and inquiries by FairPoint. Accordingly, the suggestion that FairPoint is  
22 unaware of the present condition of Verizon New Hampshire's network is mistaken. To  
23 my knowledge, at no time since the signing of the agreements has FairPoint stated in its

1 testimony that it needed to increase the cost of improving the network based on  
2 information learned after signing.

3 **Q. LIBERTY ALSO ASSERTED THAT THE COMMISSION SHOULD REQUIRE**  
4 **VERIZON TO ESCROW ADDITIONAL FUNDS TO COVER AMOUNTS THAT**  
5 **FAIRPOINT MAY NEED TO ADDRESS SERVICE QUALITY ISSUES THAT**  
6 **LIBERTY CLAIMS EXIST. IS VERIZON WILLING TO AGREE TO SUCH A**  
7 **CONDITION?**

8 A. No. The condition proposed by Mr. Falcone and Dr. King is based on a false premise,  
9 and improperly seeks to reduce the purchase price that the parties have previously  
10 negotiated. FairPoint is a sophisticated company, which conducted extensive due  
11 diligence on Verizon and the assets being transferred. Throughout that process, FairPoint  
12 was advised and assisted by outside consultants with extensive experience in these  
13 matters. The idea that Verizon somehow successfully misled these parties in the due  
14 diligence and negotiating process is not only unfounded, it is offensive to Verizon and,  
15 one would think, to FairPoint and its advisors. If the condition proposed by Liberty were  
16 adopted by the Commission, it would improperly reduce the negotiated purchase price.  
17 The deal as struck between the parties is what is before this Commission, and it is not  
18 free to now impose a new financial arrangement that the parties themselves did not  
19 believe was necessary or equitable.

20 **Q. WHAT IS VERIZON'S RESPONSE TO LIBERTY'S ADDITIONAL**  
21 **CONDITIONS PROPOSING THAT VERIZON FUND CERTAIN ONGOING**  
22 **PROJECTS SUCH AS THE RAYMOND, PELHAM AND PINKHAM NOTCH**  
23 **PROJECTS AND FIFTY PERCENT OF ALL CAPITAL COSTS THAT**

1           **FAIRPOINT INCURS TO REPLACE ANY ALLEGED FAULTY EXISTING**  
2           **PLANT FACILITIES?**

3    A.     Again, fundamentally these are changes to the parties' financial deal, and Verizon will  
4           not accept them. FairPoint conducted complete due diligence on Verizon's assets and  
5           was able to factor in such matters in establishing the price and other terms in the  
6           agreement that ultimately was reached. Suggesting that FairPoint didn't have the  
7           sophistication or knowledge to adequately represent its own interests in the transaction is  
8           both inappropriate and unfounded. The proposal also is completely vague and not  
9           commercially reasonable because it provides incentives to FairPoint to gold plate their  
10          plant facilities at Verizon's expense.

11   **Q.     WHAT IS VERIZON'S RESPONSE TO LIBERTY'S PROPOSAL TO REQUIRE**  
12           **VERIZON TO MAKE ITS EMPLOYEES AVAILABLE AT NO COST TO**  
13           **FAIRPOINT TO PROVIDE TRAINING TO NEW FAIRPOINT STAFF?**

14   A.     The parties' agreements already fully contemplate and address transition assistance by  
15           Verizon to FairPoint. As with the other conditions proposed by the Liberty team, this one  
16           gives no credit to FairPoint's ability to understand its own needs, and is confiscatory to  
17           Verizon. In this case, the condition would require Verizon to provide services without  
18           compensation, something which the Commission obviously would have no authority to  
19           impose if Verizon were still the regulated provider in New Hampshire and which we  
20           believe it should not require as a condition of this transaction. However, I would like to  
21           bring to the Commission's attention that through the TSA, Verizon will provide FairPoint  
22           with 500 hours of consulting services.



1           It should also be clear that the Verizon employees moving to FairPoint are already  
2 well-trained and have significant on-the-job experience. The most significant training  
3 required by the work force will be related to FairPoint's new systems, policies and  
4 procedures – none of which Verizon's training staff are familiar with.

5 **Q. WHAT IS VERIZON'S RESPONSE TO LIBERTY'S PROPOSAL TO REQUIRE**  
6 **VERIZON TO PROVIDE DSL CAPITAL FUNDING REQUIRED TO MEET 82%**  
7 **AVAILABILITY WHEN THOSE COSTS EXCEED FAIRPOINT'S ESTIMATED**  
8 **\$21.6 MILLION?**

9 A. Again, fundamentally this is a change to the parties' financial agreement and Verizon will  
10 not accept it.

11 **Q. WHAT IS VERIZON'S RESPONSE TO LIBERTY'S PROPOSAL TO REQUIRE**  
12 **VERIZON TO PAY 50% OF ANY FAIRPOINT CAPITAL COSTS NECESSARY**  
13 **TO RESOLVE SERVICE QUALITY PROBLEMS DURING THE FIRST 12**  
14 **MONTHS OF FAIRPOINT OWNERSHIP?**

15 A. As noted in Mr. Nestor's testimony, Verizon does not believe that there are significant  
16 service quality issues in New Hampshire. Moreover, similar to other proposals, this is  
17 simply another attempt to change the financial agreement and Verizon will not accept it.

18 **Q. MR. BARBER, ON BEHALF OF LABOR, SUGGESTS THAT THE**  
19 **COMMISSION SHOULD CONSIDER REQUIRING AN INDEPENDENT AUDIT**  
20 **OF VERIZON'S FACILITIES INCLUDING AN ASSESSMENT OF**  
21 **EXPENDITURES NECESSARY TO BRING THEM UP TO ACCEPTABLE**  
22 **STANDARDS. IS SUCH AN AUDIT NEEDED?**

23 A. No, for the same reasons as stated above.

Rebuttal Testimony of Stephen E. Smith on behalf of Verizon NH  
NH Docket No. DT 07-011  
September 10, 2007

1 **Q. MR. BALL, ON BEHALF OF BAYRING, SEGTEL AND OTEL, RECOMMENDS**  
2 **THAT THE COMMISSION RETAIN ONGOING JURISDICTION OVER BOTH**  
3 **FAIRPOINT AND VERIZON WHILE THE TSA IS IN EFFECT AND DURING**  
4 **THE CUTOVER, DOES VERIZON AGREE?**

5 A. No. I am advised by counsel that upon approval of the transfer of the relevant assets to  
6 FairPoint, and the associated discontinuance of service by Verizon NH, Verizon NH will  
7 no longer be providing utility service in New Hampshire subject to the Commission's  
8 jurisdiction. While I am not an attorney, I understand this to mean that once the  
9 transaction closes, the Commission would not have authority to require Verizon to act as  
10 if it were providing utility service, when in fact FairPoint would be the regulated carrier  
11 providing service to the public. I further understand, of course, that the PUC would have  
12 authority over the services and operations of FairPoint once the assets were transferred.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.

**VZ EXHIBIT 2P**  
**NH Docket DT 07-011**

**NH Docket DT 07-011**  
**Exhibit SES-5**  
**Cutover Plan**

**This is a confidential Exhibit**

## AMENDMENT NO. 1 TO AGREEMENT AND PLAN OF MERGER

AMENDMENT NO. 1, dated as of April 20, 2007 (this "Amendment"), 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") to the Agreement and Plan of Merger, dated as of January 15, 2007 (the "Merger Agreement") by and among Verizon, Spinco and the Company. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Merger Agreement, and all references to Articles and Sections herein are references to Articles and Sections of the Merger Agreement.

In consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

1. Amendment to Section 2.2. Section 2.2 shall be amended to read in its entirety as follows:

"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 Business Day 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. Amendment to Section 7.19. Section 7.19 is hereby amended to read in its entirety as follows:

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. On or prior to May 1, 2007, Verizon shall give the Company written notice setting forth the name of one of its six designees to the Board of Directors of the Surviving Corporation and such information with respect to the one designee as is required to be disclosed in the Proxy Statement/Prospectus

or the proxy statement for such annual meeting (together with any consent to be named as a director if and to the extent required by the rules and regulations of the SEC). Such Verizon designee shall be prepared to commence service as a director 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. On or prior to November 1, 2007, Verizon shall give the Company written notice setting forth the names of the remainder of its designees to the Board of Directors of the Surviving Corporation and such information as would be required to be disclosed in a proxy statement for an annual meeting of the Surviving Corporation (together with any consent to be named as a director if and to the extent required by the rules and regulations of the SEC). Promptly after Verizon gives the latter of such notices, and in any event within 10 days thereafter, the Company shall notify Verizon of its designees to the Surviving Corporation's Board of Directors. The parties hereto agree that if David L. Hauser is elected a director at the 2007 annual meeting of the FairPoint stockholders and continues to serve as a director as of the time of the Merger, then Verizon shall waive its right to nominate six directors and shall only have the right to nominate five directors. 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.

3. Amendment to Section 7.24 Section 7.24 is hereby amended to read in its entirety as follows:

**7.24 Required Spinco Business Capital Additions.** Verizon and the Verizon Subsidiaries shall (i) during the year ended December 31, 2007, incur expenses for capital additions in respect of the Spinco Business (accounted for consistently with the Audited Financial Statements) in an amount not less than \$137,500,000 (prorated for any portion of such year that precedes the Effective Time) and (ii) during the year ended December 31, 2008, incur expenses for capital additions 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.

4. Amendment to Section 9.1(b). Section 9.1(b) shall be amended to read in its entirety as follows:

(b) by any party hereto if the Effective Time shall not have occurred on or before January 31, 2008, 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;

5. Amendment to Section 11.1. Section 11.1 ("Expenses") is hereby amended to delete from clause (iii) the word "and" that follows the semi-colon at the end of such clause, and to add the following as new clauses (v) and (vi):

"(v) in the event that the costs of any filing fees or public utility commission or comparable government agency hired consultant contemplated by Section 7.6 are not expressly allocated to any party under applicable law or regulation, such costs shall be considered joint costs and shall be paid initially by the Company and Verizon shall reimburse the Company for 50% of such costs within 30 days of receipt of an invoice for same; and

(vi) Verizon shall pay the cost of printing and mailing of any disclosure or offering document required to be delivered to the Verizon stockholders by Verizon, Spinco and/or FairPoint in connection with the transactions contemplated by the Merger Agreement."

6. Amendment to Annex C. Annex C is hereby amended and restated to read as set forth in the attachment to this Amendment.

7. Amendment of Certain Code References. Clause (ii) of the twelfth recital and clause (ii) of the definition of "IRS Ruling" are hereby amended to refer to the Second Internal Spinoff as "a distribution eligible for nonrecognition under Sections 355(a) and 355(c) of the Code." Clause (i) of the definition of "Distribution Tax Opinion" is hereby amended to refer to the Internal Spinoffs as "eligible for nonrecognition under Sections 355(a), 355(c) and/or 361(c) of the Code, as applicable."

8. Amendment to Distribution Agreement. The Company hereby consents to the amendment to the Distribution Agreement, dated as January 15, 2007, between Verizon and Spinco, such amendment in the form attached hereto.

9. **Confirmation of Merger Agreement.** Other than as expressly modified pursuant to this Amendment, all provisions of the Merger Agreement remain unmodified and in full force and effect. The provisions of Article XI of the Merger Agreement shall apply to this Amendment *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FAIRPOINT COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



Asset Category	Historical Results		
	2004	2005	2006
GROWTH excl DSL			
DSL			
OBLIGATORY			
SERVICE IMPROVEMENT			
ENTERPRISE ADVANCE			
CORE BROADBAND			
FTTP			
OTHER			
Total Additions	\$ 195,275	\$ 209,430	\$ 228,237
Capital Expenditures (1)	\$ 182,451	\$ 202,889	\$ 213,808

2007 Capital Additions	
Budget	
\$ 52,458	
6,384	
37,388	
1,150	
4,000	
9,608	
37,734	
<b>\$ 187,500</b>	

Notes: (1) As reported on the audited Statement of Cash Flow and equal to Total Additions + Net Refirements + Cost of Removal - Salvage.

Computation of Capital Expenditures	
2004	2005
Total Additions	209,430
Retirement - Plant	(110,910)
Retirement - Reserve	109,529
Cost of Removal	4,511
Salvage	(9,771)
<b>Capital Expenditures</b>	<b>202,889</b>

ATTACHMENT

AMENDMENT NO. 1 TO DISTRIBUTION AGREEMENT

AMENDMENT NO. 1, dated as of March 30, 2007 (this "Amendment"), is by and between VERIZON COMMUNICATIONS INC., a Delaware corporation ("Verizon") and NORTHERN NEW ENGLAND SPINCO INC., a Delaware corporation ("Spinco") to the Distribution Agreement, dated as of January 15, 2007 (the "Distribution Agreement") by and between Verizon and Spinco. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Distribution Agreement, and all references to Articles and Sections herein are references to Articles and Sections of the Distribution Agreement.

In consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

1. Amendment to Recital. In the fourth recital in the Distribution Agreement, the reference to "ILEC Spinco Assets" in the fifth line is hereby replaced with "Non-ILEC Spinco Assets".

2. Amendment to Section 1.1. The definition of "Contributing Companies" set forth in Section 1.1 of the Distribution Agreement is hereby amended to read in its entirety as follows:

"Contributing Companies" means Verizon New England, NYNEX Long Distance Company, Bell Atlantic Communications Inc., Verizon Select Services Inc., Verizon Internet Services Inc., GTE.Net LLC, and, any Subsidiary of Verizon that employs Continuing Employees (as defined in the Merger Agreement) as of the Closing Date.

3. Amendment to Section 1.1. In the definition of "Spinco Business" a new subsection (F), prior to the proviso, is hereby added as follows:

"(F) the delivery by GTE.Net LLC of dial-up and DSL services to customers located in the Territory."

4. Amendment of Certain Code References. Clause (ii) of the seventh recital is hereby amended to refer to the Second Internal Spinoff as "a distribution eligible for nonrecognition under Sections 355(a) and 355(c) of the Code."

5. Confirmation of Distribution Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Distribution Agreement remain unmodified and in full force and effect. The provisions of Article X of the Distribution Agreement shall apply to this Amendment *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: *John W. Dierksen*  
Name: JOHN W. DIERKSEN  
Title: EVP. STRATEGY, DEVELOPMENT & PLANNING

**NORTHERN NEW ENGLAND SPINCO INC.**

By: *John W. Dierksen*  
Name: JOHN W. DIERKSEN  
Title: EVP. STRATEGY, DEVELOPMENT & PLANNING

**FAIRPOINT COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

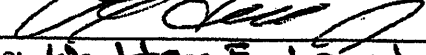
**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FAIRPOINT COMMUNICATIONS, INC.**

By:   
Name: Walter E. Leach, Jr.  
Title: Executive Vice President, Corporate  
Development

## AMENDMENT NO. 2 TO AGREEMENT AND PLAN OF MERGER

AMENDMENT NO. 2, dated as of June 28, 2007 (this "Amendment") 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") to the Agreement and Plan of Merger, dated as of January 15, 2007, as amended (the "Merger Agreement") by and among Verizon, Spinco and the Company. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Merger Agreement, and all references to Articles and Sections herein are references to Articles and Sections of the Merger Agreement.

In consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

1. Amendment to Certain Definitions. Each of the following definitions shall be removed and replaced with the phrase "[intentionally omitted]."

1.103 "ME Lease," 1.104 "ME Premises," 1.111 "NH Lease," and  
1.112 "NH Premises."

2. Amendment to Section 1.149. Section 1.149 shall be amended to read in its entirety as follows:

"1.149 "Special Payment" has the meaning set forth in the Distribution Agreement."

Furthermore, each use of the term Special Dividend in the Merger Agreement shall be amended to conform to this change of the defined term from Special Dividend to Special Payment.

3. Amendment to Section 1.192. Section 1.192 shall be amended to read in its entirety as follows:

"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, the Tax Sharing Agreement and the leases and shared site agreement referred to in Section 7.16."

4. Amendment to Section 7.16. Section 7.16 is hereby amended to read in its entirety as follows:

"7.16 Real Estate Matters. Promptly after the execution of this Agreement 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

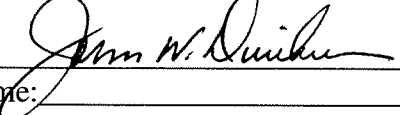
Manchester, New Hampshire in substantially the same manner insofar as practicable as such property is occupied and used by them (other than in connection with the Spinco Business) during the 12 month period prior to the Closing Date. Immediately prior to the Closing, the parties shall execute those lease agreements attached to a letter agreement among the parties dated April 25, 2007 and the mutually agreed shared site agreement referred to in the prior sentence.”

5. Amendment to Distribution Agreement. The Company hereby consents to the amendment to the Distribution Agreement, dated as January 15, 2007, and amended as of March 30, 2007, between Verizon and Spinco, such amendment in the form attached hereto.

6. Confirmation of Merger Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Merger Agreement remain unmodified and in full force and effect. The provisions of Article XI of the Merger Agreement shall apply to this Amendment *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FAIRPOINT COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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 to the Closing Date. Immediately prior to the Closing, the parties shall execute those lease agreements attached to a letter agreement among the parties dated April 25, 2007 and the mutually agreed shared site agreement referred to in the prior sentence.”

5. Amendment to Distribution Agreement. The Company hereby consents to the amendment to the Distribution Agreement, dated as January 15, 2007, and amended as of March 30, 2007, between Verizon and Spinco, such amendment in the form attached hereto.

6. Confirmation of Merger Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Merger Agreement remain unmodified and in full force and effect. The provisions of Article XI of the Merger Agreement shall apply to this Amendment *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: Stephen E. Smith  
Name: Stephen E. Smith  
Title: Vice President

**FAIRPOINT COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



practicable as such property is occupied and used by them (other than in connection with the Spinco Business) during the 12 month period prior to the Closing Date. Immediately prior to the Closing, the parties shall execute those lease agreements attached to a letter agreement among the parties dated April 25, 2007 and the mutually agreed shared site agreement referred to in the prior sentence.”

5. Amendment to Distribution Agreement. The Company hereby consents to the amendment to the Distribution Agreement, dated as January 15, 2007, and amended as of March 30, 2007, between Verizon and Spinco, such amendment in the form attached hereto.

6. Confirmation of Merger Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Merger Agreement remain unmodified and in full force and effect. The provisions of Article XI of the Merger Agreement shall apply to this Amendment *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FAIRPOINT COMMUNICATIONS, INC.**

By: Eugene B. Johnson  
Name: Eugene B. Johnson  
Title: Chief Executive Officer

ATTACHMENT

AMENDMENT NO. 2 TO DISTRIBUTION AGREEMENT

AMENDMENT NO. 2, dated as of June 28, 2007 (this "Amendment") is by and between VERIZON COMMUNICATIONS INC., a Delaware corporation ("Verizon") and NORTHERN NEW ENGLAND SPINCO INC., a Delaware corporation ("Spinco") to the Distribution Agreement, dated as of January 15, 2007, as amended (the "Distribution Agreement") by and between Verizon and Spinco. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Distribution Agreement, and all references to Articles and Sections herein are references to Articles and Sections of the Distribution Agreement.

In consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

1. Amendments to Section 1.1.

(a) The definition of "Blended Customer Contracts" set forth in Section 1.1 of the Distribution Agreement is hereby amended to read in its entirety as follows:

""Blended Customer Contracts" means Contracts with customers or other Contracts identified below, 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 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, including billing and collection Contracts, operator service Contracts and directory assistance Contracts."

For the avoidance of doubt, the reference to Section 1.1(a) of the Disclosure Letter has been omitted in this revised definition because the Contracts listed thereon, which were originally intended to be retained by Verizon, are now intended to be treated as all other Blended Customer Contracts. Therefore, the Disclosure Letter provided by Verizon shall hereafter be deemed not to have included Section 1.1(a) thereof.

(b) Amendment to Section 1.1. The definition of "Special Dividend" is changed to "Special Payment" and is hereby amended to read in its entirety as follows:

""Special Payment" means a payment that shall be made by Spinco to Verizon 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."

Furthermore, each use of the term Special Dividend in the Distribution Agreement is hereby amended to conform to this change in the defined term from Special Dividend to Special Payment.

2. Amendment to Section 2.4. Section 2.4 shall be amended to read in its entirety as follows:

“Section 2.4 Special Payment; New Financing; Debt Exchange.

(a) [Intentionally omitted]

(b) At or prior to the Distribution Date, Spinco will in exchange for Verizon causing the transfer to Spinco of the ILEC Spinco Subsidiary and causing the Non-ILEC Assets to be transferred to the Non-ILEC Spinco Subsidiary (i) enter into the agreements associated with the New Financing and use a portion of the proceeds thereof to pay the Special Payment, (ii) distribute Spinco Securities to Verizon and (iii) pay to Verizon the amount of the Special Payment. The principal amount of the Spinco Securities will be an amount equal to (x) \$1.7 billion less (y) the amount of the Special Payment, 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 Payment shall be an amount 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 Payment 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."

3. Confirmation of Distribution Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Distribution Agreement remain unmodified and in full force and effect. The provisions of Article X of the Distribution Agreement shall apply to this Amendment *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**


By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By:   
Name: Stephen E. Smith  
Title: Vice President

## AMENDMENT NO. 3 TO AGREEMENT AND PLAN OF MERGER

AMENDMENT NO. 3, dated as of July 3, 2007 (this "Amendment") 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") to the Agreement and Plan of Merger, dated as of January 15, 2007, as amended (the "Merger Agreement") by and among Verizon, Spinco and the Company. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Merger Agreement, and all references to Articles and Sections herein are references to Articles and Sections of the Merger Agreement.

In consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

1. Maine PUC Stipulation. The parties acknowledge that on or about the date hereof, Verizon submitted a Stipulation with the State of Maine Public Utilities Commission in a form that has previously been disclosed to the Company. The parties agree that if the Maine Public Utilities Commission fails to enter an order approving the Stipulation as submitted without any additional conditions or limitations (or as submitted and incorporating only any changes that both Verizon and the Company, acting reasonably, consider immaterial or as Verizon and the Company shall mutually otherwise agree upon) (the date on which any such order is entered, the "Maine AFOR Settlement Order Date") this Amendment to the Merger Agreement (and the attached amendment to the Distribution Agreement) shall be null and void and cease to have any force or effect. For the avoidance of doubt, the parties agree that nothing set forth in the Stipulation or in this Amendment shall impose any limitations or obligations or grant any rights as amongst themselves with respect to the Maine AFOR Proceedings that are not otherwise set forth in the Merger Agreement.

2. Capital Additions. The parties agree that if Verizon makes supplemental capital additions of up to \$12,000,000 between the date of the Maine AFOR Settlement Order Date and January 30, 2008 for equipment, cards, cable and/or transport fiber and associated labor spent to expand the existing DSL network in the state of Maine (in addition to the \$1,900,000 previously anticipated to be spent in 2007), such supplemental capital additions shall not be deemed to violate any representation or covenant of Verizon or Spinco in the Merger Agreement, and the amount of such capital additions and the increase in the aggregate amount of such capital additions spent in excess of \$137,500,000 in 2007 (plus an additional \$11,000,000 in January 2008 if the Closing does not occur prior to January 1, 2008) shall not be considered singly or taken together with other expenditures, conditions, burdens, restrictions or requirements to determine whether there has been a Material Adverse Effect for purposes of the Merger Agreement, including Sections 8.1(c) or 8.1(h). Not later than 45 days after the date hereof and prior to making any material portion of the capital additions to the DSL network described in

the prior sentence, Verizon shall deliver its proposed plan for such additions. FairPoint may within 10 days of receipt from Verizon make suggestions for modification to such proposed plan. Verizon shall consider such suggestions in good faith. After such consideration, Verizon shall have the sole discretion to design and implement its DSL expansion plan and make such capital additions. Verizon shall provide to the Company within five (5) days after submission copies of reports required to be submitted to the Maine Public Utilities Commission containing information on the status and progress of such expansion. In addition, the Company shall have the right to request one additional report as of the date of its choosing, regarding such status and progress, containing information reasonably requested by the Company and in the possession of Verizon, which Verizon shall provide within ten (10) days following receipt of such request.

3. Addition of Section 7.28. The following is hereby added to the Merger Agreement as a new Section 7.28:

“7.28 Settlement of Maine AFOR Proceedings. If the Investigation into New Alternative Form of Regulation for Verizon Maine Pursuant to 35-A M.R.S.A. Sections 9102-9103, (Docket No. 2005-155) (the “Maine AFOR Proceedings”) is not resolved prior to the Closing, then during the lesser of (i) a twelve (12) month period commencing on the Closing Date and (ii) as long as is necessary to resolve the Maine AFOR Proceedings, Verizon shall use its commercially reasonable efforts upon the request of the Company to cooperate in helping the Company to contest any proceedings to the extent they are based upon the same or substantially the same pleadings or allegations or the facts relating thereto regarding pre-Closing activities as in the Maine AFOR Proceedings, including by making available as expert witnesses on a reasonable basis persons who remain employed by Verizon and its Affiliates following the Closing and are familiar with the pre-Closing factual issues that are the subject of such proceedings, and by making available on a confidential basis material relevant information in the possession of Verizon regarding the alleged over earnings calculations made prior to July 3, 2007 and regarding the pre-Closing testimony in the Maine AFOR Proceeding. The Company shall pay the reasonable out of pocket, third party costs and expenses of Verizon incurred after the Closing Date for assistance requested by the Company in connection with the Maine AFOR Proceedings.

4. Amendment to Distribution Agreement. The Company hereby consents to the amendment to the Distribution Agreement, dated as January 15, 2007, and amended as of March 30, 2007 and June 28, 2007, between Verizon and Spinco, such amendment in the form attached hereto.

5. Confirmation of Merger Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Merger Agreement remain unmodified and in full force and effect. The provisions of Article XI of the Merger Agreement shall apply to this Amendment *mutatis mutandis*.



IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: *John W. Diuker*  
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 Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: Stephen E. Smith  
Name: STEPHEN E. SMITH  
Title: VICE PRESIDENT

**FAIRPOINT COMMUNICATIONS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

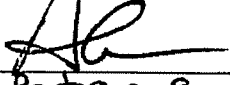
**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FAIRPOINT COMMUNICATIONS, INC.**

By:   
Name: Peter G. Nixon  
Title: Chief Operating Officer

ATTACHMENT

AMENDMENT NO. 3 TO DISTRIBUTION AGREEMENT

AMENDMENT NO. 3, dated as of July 3, 2007 (this "Amendment") is by and between VERIZON COMMUNICATIONS INC., a Delaware corporation ("Verizon") and NORTHERN NEW ENGLAND SPINCO INC., a Delaware corporation ("Spinco") to the Distribution Agreement, dated as of January 15, 2007, as amended (the "Distribution Agreement") by and between Verizon and Spinco. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Distribution Agreement, and all references to Articles and Sections herein are references to Articles and Sections of the Distribution Agreement.

In consideration of the premises and the mutual promises herein made, and in consideration of the agreements herein contained, the parties, intending to be legally bound hereby, agree as follows:

1. Amendments to Section 1.1.

The definition of "Target Working Capital" set forth in Section 1.1 of the Distribution Agreement is hereby amended to read in its entirety as follows:

"Target Working Capital" means \$50,500,000, provided that such amount will be reduced by the amount, if any, equal to the sum of (A) the quotient of (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, plus (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, plus (B) the amount, not to exceed \$12,000,000, by which Verizon's capital additions between the Maine AFOR Settlement Order Date and January 31, 2008 for equipment, cards, cable and/or transport fiber and associated labor spent to expand the existing DSL network in the state of Maine exceeds \$1,900,000; provided that the reduction in this clause (B) shall only apply to the extent that the amount spent by Verizon in the aggregate in respect of capital additions in the period January 1, 2007 through January 31, 2008 exceeds \$148,500,000 (pro rated to the extent the Closing occurs prior to January 31, 2008).

2. Confirmation of Distribution Agreement. Other than as expressly modified pursuant to this Amendment, all provisions of the Distribution

Agreement remain unmodified and in full force and effect. The provisions of Article X of the Distribution Agreement shall apply to this Amendment *mutatis mutandis*.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: *John W. Diabata*  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the first date above written.

**VERIZON COMMUNICATIONS INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NORTHERN NEW ENGLAND SPINCO INC.**

By: Stephen E. Smith  
Name: STEPHEN E. SMITH  
Title: VICE PRESIDENT