

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DT 07-011

VERIZON NEW ENGLAND INC., BELL ATLANTIC COMMUNICATIONS INC.,
NYNEX LONG DISTANCE CO., VERIZON SELECT SERVICES INC.,
AND FAIRPOINT COMMUNICATIONS, INC.

Transfer of Assets to FairPoint Communications, Inc.

**SETTLEMENT STIPULATION AMONG
FAIRPOINT COMMUNICATIONS, INC., FREEDOM RING
COMMUNICATIONS, LLC D/B/A
BAYRING COMMUNICATIONS, LLC, SEGTEL, INC., AND
OTEL TELEKOM, INC.**

FairPoint Communications, Inc. (“FairPoint”) and Freedom Ring Communications, LLC d/b/a/BayRing Communications, LLC (“BayRing”), segTEL, Inc. (“segTEL”) and Otel Telekom, Inc. (“Otel”) (FairPoint, BayRing, segTEL and Otel each being a “Party” and collectively the “Parties”) hereby submit this Settlement Stipulation reflecting their agreed resolution of the issues among them in this Docket and, in support thereof, state as follows:

1. FairPoint has agreed to acquire the incumbent local exchange operations of Verizon Communications Inc. (individually or with its affiliates, “Verizon”) in the States of Maine, New Hampshire and Vermont (the “Acquired Properties”), which will be accomplished by Verizon’s transfer of such Acquired Properties to affiliates of Verizon (“Telco” and “Newco”) directly or indirectly held by another Verizon affiliate (“Spinco”) and the merger of Spinco with and into FairPoint (which transfer, merger, and

all related transactions are collectively referred to herein as the “Merger”). References to “FairPoint” following the Merger are to the surviving corporation, including its affiliates and subsidiaries, that will result from the Merger.

2. Pursuant to a Transition Services Agreement between affiliates of Verizon NE and FairPoint (the “TSA”), FairPoint will use certain services and systems provided by Verizon during a period beginning on or about the effective date of the Merger (the “Closing Date”) and, with certain exceptions, ending on the date of cutover from Verizon’s to FairPoint’s systems as contemplated by the TSA (the “Cutover”).

3. FairPoint and Verizon are seeking all necessary approvals of the Merger from the Federal Communications Commission (the “FCC”) (WC Docket 07-22 *et al.*), the Maine Public Utilities Commission (“MPUC”) (Docket 2007-67), the Vermont Public Service Board (“PSB”) (Docket 7270), the New Hampshire Public Utilities Commission (“NHPUC”) (Docket DT 07-011, and collectively with the cited Maine and Vermont dockets, the “Dockets”), and such other governmental authorities as may be required by law (collectively, the “Merger Review Proceedings”).

4. Each of BayRing, segTEL and Otel (collectively, the “CLEC Coalition”) are in the business of providing telecommunications services as a competitive local exchange carrier (“CLEC”) and an interexchange carrier (“IXC”) in New Hampshire, and has intervened in Docket DT 07-011 before the NHPUC.

5. Under the terms of the Merger, Telco or its affiliate will either enter into a separate agreement with each member of the CLEC Coalition effective as of the Closing Date, adopting the same terms of the inter-carrier agreements between Verizon and said members of the CLEC Coalition effective in the Acquired Properties’ service areas, or

Telco or its affiliate will be assigned and will assume such agreements and be a party to them as of the Merger closing, and Telco will adopt or concur in Verizon's federal and state access tariffs and wholesale tariffs effective in the Acquired Properties' service areas, and such agreements and tariffs as collectively govern the telecommunications services currently being provided by Verizon to the CLEC Coalition, each as a CLEC or IXC in New Hampshire (the "Services"). FairPoint will also assume the Verizon agreements governing conduit use and pole attachments in New Hampshire.

6. The Parties want to provide for continuity in the provision of the Services following the Merger, to minimize the expense and uncertainty of litigation in the Merger Review Proceedings, to amicably resolve any differences between them, and to allow FairPoint and Verizon the opportunity to promptly secure approval in the Merger Review Proceedings and consummate the Merger.

7. The CLEC Coalition has set forth in Exhibit 2 attached hereto and made a part hereof a list of all the agreements and tariffs in effect as of the date of this Settlement Stipulation pursuant to which each member of the CLEC Coalition purchases any of the Services (the "Inter-Carrier Agreements" or the "ICAs"). Each member of the CLEC Coalition consents to each such assignment and acknowledges that FairPoint only has the rights to assume or adopt certain classes of agreements of certain Verizon affiliates, and only to the extent that such agreements are operative in New Hampshire. Therefore, the Parties agree that Exhibit 2 identifies the definitive set of the New Hampshire ICAs being assumed or adopted by FairPoint as part of the Merger (including any amendments, modifications and extensions currently in effect) (the "Adopted Agreements"), and that the Adopted Agreements (to the extent they are operative in New Hampshire) will be

governed by this Settlement Stipulation effective as of the Closing Date. If, following the execution of this Settlement Stipulation, either Party discovers an additional ICA that was omitted from Exhibit 2, that Party shall notify the other Party and, upon confirmation that the ICA is properly included, the Parties shall amend Exhibit 2 accordingly.

8. FairPoint and the CLEC Coalition agree that, as of the closing date of the Merger, Telco (or the appropriate FairPoint affiliate) will provide the Services to the CLEC Coalition, and the Parties will exchange traffic with each other and compensate each other, in New Hampshire by virtue of the wholesale tariffs and the Adopted Agreements identified on Exhibit 2, and in all other respects comply with the terms and conditions of such agreements, except as expressly modified in the CLEC Settlement Conditions attached as Exhibit 1.

9. The Parties agree that the terms of this Settlement Stipulation are part of a comprehensive settlement agreement between the Parties and agree to cooperate in the implementation thereof and to seek approval of the CLEC Settlement Conditions in New Hampshire. The agreements made herein and in the attached CLEC Settlement Conditions are subject to the condition that this Settlement Stipulation shall not be enforceable unless approved in their entirety by the NHPUC as a condition of the Commission's approval of the merger. The Parties further agree not to take any actions in any forum that would reasonably appear to contradict or diverge from the terms set forth in these CLEC Settlement Conditions, except to the extent that the Parties are required to file pleadings in jurisdictions outside of New Hampshire in the event the Parties hereto can not reach a multi-state settlement.

10. Each of the Parties agrees to fully support, through its filings, testimony, and other proceedings in Commission Docket DT 07-011, the approval of this Settlement Stipulation by the Commission, as representing the good faith negotiated resolution of the issues and concerns raised in said docket by the CLEC Coalition with respect to FairPoint and the intent of FairPoint to fully and adequately address those issues and concerns upon FairPoint's completion of the Merger. As a result, and subject to the Commission's approval of the terms hereof, the CLEC Coalition hereby stipulates that it supports the Merger with the conditions set forth in Exhibit 1 attached hereto and made a part hereof (the "CLEC Settlement Conditions"). From and after the date hereof, each member of the CLEC Coalition shall refrain from presenting or cross-examining FairPoint and Verizon witnesses in Docket DT 07-011 other than (i) to set forth the Parties' respective pre-settlement legal positions and (ii) in support of this Settlement Stipulation and approval of the Merger with the CLEC Settlement Conditions. Existing testimony filed to date by or on behalf of the CLEC Coalition would not need to be withdrawn and, instead, would offered for the purposes set forth in this Section 10. Notwithstanding anything in this Section 10 to the contrary, the CLEC Coalition acknowledges that FairPoint (i) has not settled with each and every Intervenor in Docket DT 07-011 which may be considered a CLEC, (ii) must present evidence and testimony before the NHPUC as may be necessary to counter any claims or legal positions asserted by other Intervenor or the NHPUC Staff inconsistent with the terms of this Settlement Stipulation, the CLEC Settlement Conditions or the Merger, and (iii) must present evidence and testimony before the NHPUC in order to meet its burden of proof in seeking the NHPUC's approval of the Merger and the transactions contemplated thereby.

11. In the event that the NHPUC rejects the CLEC Settlement Conditions, or adopts the CLEC Settlement Conditions with modifications that any Party, in its reasonable discretion, determines to be materially adverse to such Party, such Party may seek reconsideration of such NHPUC decision, and the other Party reserves its right to object to any such motion for reconsideration. Neither of the Parties is required to seek or support reconsideration or review of any such decision by the NHPUC. If the CLEC Settlement Conditions or this Settlement Stipulation is rejected in whole or in part by the Commission, except as otherwise set forth within Section 8(c) of the CLEC Settlement Conditions, each Party shall have the same rights as each would have had absent this Settlement Stipulation.

12. This Settlement Stipulation and the CLEC Settlement Conditions (i) shall be enforceable by the NHPUC upon approval in their entirety by the NHPUC, except as otherwise set forth within Section 8(c) of the CLEC Settlement Conditions (provided that if the Merger does not close, this Settlement Stipulation and the CLEC Settlement Conditions shall be null and void); (ii) are entered into for settlement purposes; (iii) do not contain or constitute an admission by any Party of any factual or legal issue or matter; and (iv) shall not be used as evidence in any proceeding unrelated to the Merger or the enforcement of the terms of this Settlement Stipulation or the CLEC Settlement Conditions.

13. The Parties hereto acknowledge and understand that PUC 203.20(e) requires settlements and stipulations to be filed with the Commission “no less than 5 days prior to the hearing...” Nonetheless, the Parties hereby request a waiver of said rule pursuant to the exceptions provided within PUC 203.20(f). The Parties hereby advise the

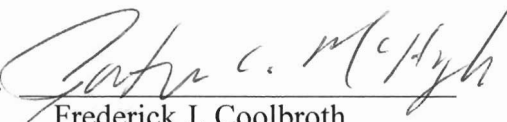
Commission that (i) the Parties endeavored in good faith to attempt to resolve their differences in a time frame which would have allowed for the timely filing of this Settlement Stipulation prior to the start of the hearings on October 22, 2007, (ii) certain of the issues addressed herein involve complex, multi-state issues, and (iii) the negotiation and settlement of the issues herein consumed an extensive amount of time. The Commission's acceptance of this filing promotes the orderly and efficient conduct of the proceedings in that the Parties have resolved issues in dispute that otherwise would be litigated during the hearings. Upon information and belief, accepting this Settlement Stipulation would not impair the rights of any party to this proceeding.

Executed as of this 17th day of October, 2007 by counsel thereunto duly authorized.

FAIRPOINT COMMUNICATIONS, INC.

By Its Attorneys:

DEVINE, MILLIMET & BRANCH
PROFESSIONAL ASSOCIATION

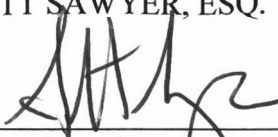
By: 
Frederick J. Coolbroth
Patrick C. McHugh

FREEDOM RING COMMUNICATIONS,
LLC D/B/A BAYRING
COMMUNICATIONS, LLC

By Its Attorneys:

SCOTT SAWYER, ESQ.

By:



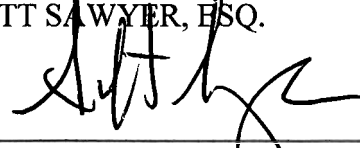
Scott Sawyer

SEGTEL, INC.

By Its Attorneys:

SCOTT SAWYER, ESQ.

By:




Scott Sawyer

OTEL TELKOM, INC.

By Its Attorneys:

SCOTT SAWYER, ESQ.

By:



Scott Sawyer

EXHIBIT 1

**STIPULATED SETTLEMENT TERMS BY AND AMONG
FAIRPOINT COMMUNICATIONS, INC. (“FAIRPOINT”) AND
FREEDOM RING COMMUNICATIONS, LLC D/B/A/BAYRING COMMUNICATIONS, LLC
 (“BAYRING”), SEGTEL, INC. (“SEGTEL”), OTEL TELEKOM, INC. (“OTEL”) AND NATIONAL
MOBILE COMMUNICATION CORPORATION D/B/A SOVERNET COMMUNICATIONS
(EACH A “CLEC” AND COLLECTIVELY THE “CLECS”) (EACH OF FAIRPOINT AND EACH CLEC
BEING A “PARTY” AND ALL OF THEM COLLECTIVELY THE “PARTIES”)**

1. 251 Obligations

- a. FairPoint will not dispute that the affiliate that will own and operate the former Verizon properties in Maine, New Hampshire and Vermont (hereinafter “Telco”) will be an incumbent local exchange carrier (ILEC) subject to all of the obligations of Section 251 of the Communications Act of 1934, as amended (the “Communications Act” or the “Act”), including but not limited to the obligation to provide access to unbundled network elements (UNEs) wherever “impairment” exists pursuant to Sections 251(c)(3) and 251(d)(2)(B) of the Communications Act, and the requirement to abide by the negotiation/arbitration process prescribed in section 252 of the Communications Act.
- b. FairPoint will not now or in the future seek or assert “rural telephone company” classification for Telco for purposes of the Section 251(f)(1) rural exemption from Section 251(c) of the Act. This condition does not prevent FairPoint from seeking or accepting designation of Telco as “rural” solely for purposes of qualifying for universal service funding or similar support from federal or state programs.
- c. FairPoint will not now or in the future seek any suspension or modification of any of Telco’s 251(b) or (c) obligations pursuant to Section 251(f)(2) of the Act. For avoidance of any doubt, this includes Telco’s local number portability obligations under Section 251(b)(2).
- d. For three years following the closing date of the Merger, FairPoint will not reclassify as non-impaired any of Telco’s wire centers in Maine, New Hampshire or Vermont not currently classified as non-impaired. Furthermore, during such three-year period, Telco will not withdraw any DS1 transport unbundled network elements between the Nashua and Manchester wire centers. Thereafter, Telco will give separate notice if and when it decides to withdraw unbundled access to such transport in accordance with applicable tariff, contractual and regulatory notice requirements.

2. Additional Items to be Provided by FairPoint.

- a. Notwithstanding any determination by the Federal Communications Commission (“FCC”) in WC Docket 07-22 as to whether or not Telco is a Bell Operating Company (“BOC”), FairPoint will cause Telco to provide as “Settlement Items” all Section 271(c)(2)(B) “competitive checklist” network elements and services to the extent that the FCC rules or has ruled that BOCs in general are required to provide such elements and services, now

or in the future, at rates, terms and conditions that are just and reasonable, and not unreasonably discriminatory, as if governed by Sections 201(b) and 202(a) of the Communications Act as interpreted by the FCC, subject to the rights of negotiation and of review set forth in section 2(c) below. If the U.S. Supreme Court should reverse the decision of the U.S. Court of Appeals for the First Circuit in *Verizon New England, Inc. v. Maine Public Utilities Commission*, Case Nos. 06-2151, 06-2429 (slip op. Sept. 6, 2007), then Telco will provide as "Settlement Items" such Section 271(c)(2)(B) elements and services as BOCs generally may be required to provide under applicable law. In the event the FCC through a final order delegates to the State of Vermont or the State of New Hampshire the authority to determine what elements and services must be provided by BOCs under Section 271(c)(2)(B), then this agreement shall be modified accordingly. Nothing herein shall limit the right of Telco or any of the Parties hereto to seek reconsideration or review of any such FCC order.

- b. Telco may cease providing any Settlement Item in the event that the FCC, a state utility regulatory commission or a court (in each case having competent jurisdiction and authority) (each a "Governmental Authority") determines that such item is not required to be provided pursuant to applicable law.
- c. In the event a CLEC requests in writing that Telco provide a Settlement Item required to be provided under section 2(a), and not the subject of a determination described in section 2(b), Telco and the CLEC will engage in good faith negotiations to reach agreement on the rates, terms and conditions pursuant to which Telco will provide such Settlement Item. In the event that the Parties are unable to reach agreement within nine months from the date FairPoint receives such written request, the CLEC shall have the right to seek resolution of any disputed rates, terms or conditions from the state utility regulatory commission in the state in which the Settlement Item is sought. The Parties agree that the FCC's rules, regulations, orders and policies applicable to the definition of the corresponding item under Section 271(c)(2)(B) of the Communications Act and the rates, terms and conditions at which such item must be provided by BOCs shall govern the state's determinations in any such dispute resolution proceeding. Each Party to such dispute shall have the right to seek review in a court of competent jurisdiction of any state utility regulatory commission action relative to any Settlement Item, including any state utility regulatory commission order asserting that Telco is required to provide an element or service pursuant to subsection (a) above, or setting rates, terms or conditions or asserting a pricing standard for any Settlement Item. None of the Parties will challenge the jurisdiction of the court of competent jurisdiction in which the dispute arises to apply FCC precedent to decide any such review proceeding that may be initiated hereunder. In addition, in any such review proceeding, none of the Parties will challenge the jurisdiction of the state utility regulatory commission to resolve disputes over Settlement Items as provided in this section 2(c) provided that the Parties have first engaged in good faith negotiations as required herein, and provided further that in

any such dispute resolution process the state applies the FCC's rules, regulations, orders and policies applicable to the definition of the corresponding item under Section 271(c)(2)(B) of the Communications Act and the rates, terms and conditions at which such item must be provided by BOCs as agreed herein (or such alternative body of law, if any, as may be identified by the U.S. Supreme Court if that court should reverse the decision of the U.S. Court of Appeals for the First Circuit in *Verizon New England, Inc. v. Maine Public Utilities Commission*, Case Nos. 06-2151, 06-2429 (slip op. Sept. 6, 2007)).

- d. Without limiting FairPoint's obligations under subsection (a), FairPoint additionally will provide wholesale DSL and line sharing where available (provided that the purchaser employs non-interfering technology) for a three-year period, under the terms set forth herein.
 - i. Wholesale DSL will be provided solely for the purpose of a CLEC's provision of end-user DSL service, for three years following the Merger closing date, at a rate not to exceed 82% of FairPoint's lowest-priced retail rate advertised for standalone residential DSL service in the service area of the acquired properties (or in the state, if rates differ by state).
 - ii. At the CLEC's option, line sharing will be provided either (A) at rates set in existing agreements, for the duration of the respective agreements and for an extended term expiring on the date which is three years following their stated expiration date (or three years following the Merger closing date in the case of agreements that remain in effect on a month-to-month basis as of the Merger closing date) at the price specified in the applicable agreement, or (B) for a period of three years following the Merger closing date (pursuant to a tariff provision providing that the offering shall expire by its own terms upon the expiration of such three-year period, unless FairPoint voluntarily extends the term) at a tariffed rate of \$30.00 per line (non-recurring charge), plus a recurring charge of \$6.00 per line per month (non-recurring charges will apply only to lines for which line sharing is not being provided by Verizon as of the Merger closing date).
 - iii. The Parties agree that this offering is the product of settlement negotiations and does not constitute an admission by FairPoint or Telco that either wholesale DSL or line sharing is required to be offered by BOCs under Section 271(c)(2)(B) of the Communications Act or as a Settlement Item; if it should be determined that either offering is so required, the Parties agree that the rates provided herein shall constitute rates that are just and reasonable, and not unreasonably discriminatory, within the meaning of Section 201(b) and 202(a) of the Communications Act and Section 2(a) above, for the three-year term described herein.
 - iv. Telco's obligations under this subsection 2(d) are independent of any obligation Telco has to provide network elements or services under applicable law and will survive any successful challenge to any obligations to provide network elements.

- v. At the end of the three-year period referenced herein, Telco may, at its sole discretion, withdraw any offering of line sharing or wholesale DSL pursuant to this section that may then be in effect, including in any state tariff or SGAT. Telco will provide at least six months' advance notice of any withdrawal of line sharing or wholesale DSL, and the CLECs agree that such notice will constitute adequate and reasonable notice under applicable law.
- e. Telco will be subject to the Performance Assurance Plan (PAP) in effect as of the Merger closing date (see section 6 below) and will not challenge the jurisdiction of the state utility regulatory commission to enforce the PAP.
- f. Nothing herein constitutes an admission by FairPoint that Telco is a BOC within the meaning of the Communications Act or applicable regulations or should be treated as a BOC for any purpose other than as FairPoint expressly agrees in this Settlement Agreement.

3. OSS

- a. FairPoint has prepared a timeline for CLEC education and training, testing and cutover, a copy of which is attached hereto as Attachment 1 and incorporated herein by reference. Attachment 1 shall govern FairPoint's WOSS (hereinafter defined) testing, except as may otherwise be determined by the three state regulatory commissions in their approval of the Merger. As set forth in Attachment 1, FairPoint:
 - i. has provided wholesale customers with a Webex demonstration of the WISOR system;
 - ii. will provide wholesale customers with a preliminary wholesale operations support systems ("WOSS") interface test plan;
 - iii. will provide an opportunity for CLECs and a single regulatory staff consulting firm expected to be chosen by agreement of the three state utility regulatory commissions from among their respective consulting firms participating in the docket to provide input into the WOSS acceptance criteria (the "Readiness Criteria"), which will consist of objective test defect severity level classification criteria that the regulatory staff consulting firm and FairPoint agree will establish objective measures for testing whether FairPoint's systems are ready for Cutover and whether FairPoint's new WOSS architecture functions as proposed, and thus will indicate whether FairPoint is ready to provide Verizon with a "Notice of Readiness to Cutover" under the terms of the TSA;
 - iv. will provide a final CLEC testing schedule;
 - v. will develop contingency plans for specified workaround situations and
 - vi. will provide a final Cutover schedule.

- b. It is the Parties' intention that a single set of Readiness Criteria will be developed for all three states. The CLECs hereby agree to (i) abide by and accept the Readiness Criteria as may be agreed to by the Governmental Authorities of the three states and (ii) refrain from advocating for Readiness Criteria testing other than as set forth herein. In the event the Governmental Authorities of the three states can not agree on a common Readiness Criteria, then the Readiness Criteria established by the applicable state utility commission shall control.
- c. FairPoint will identify the account team or single point of contact assigned to each CLEC.
- d. FairPoint will be responsible for the performance of all of Telco's WOSS post-Cutover, in accordance with the terms of the PAP. All CLECs, regardless of provisions in their interconnection agreements, will have the right to seek enforcement of the PAP by the applicable state commission (see section 6 below).
- e. Telco will not pass through to CLECs any acquisition expenses, fees and expenses under the Transition Services Agreement ("TSA") or training expenses incurred by FairPoint in connection with the Merger or the transition to new operating systems. FairPoint reserves the right to seek inclusion in future Telco rate cases and cost studies (including but not limited to a future UNE rate proceeding) those capitalized costs arising out of development of new systems which replace systems used as of the Merger closing date by Verizon or its affiliates (including those replacing systems Verizon obtains from third parties), subject to normal review and regulation by the applicable state utility regulatory commission. Nothing herein constitutes an admission by any of the CLECs that Telco is entitled to any inclusion of such costs in its future rates or costs.
- f. FairPoint will provide, without charge, training in accordance with the training plan referenced in Attachment 1. FairPoint will continue to make available to CLECs the types of information that Verizon currently maintains and disseminates to CLECs regarding Verizon's systems and business rules and practices, including the CLEC Manual, industry letters and the change management process. Any CLEC that currently does not receive such materials (for example, because it takes service from the wholesale tariff without an interconnection agreement) may receive such materials upon request. FairPoint will maintain the CLEC user forum process currently employed by Verizon.
- g. FairPoint will arrange a meeting with wholesale customers approximately six months following cutover to discuss customer concerns and questions. Meeting participants will be expected to inform FairPoint of concerns and questions in advance of the meeting so as to enable FairPoint to respond at or before the meeting.

4. Existing Agreements, SGATs and Wholesale Tariffs

- a. The applicable FairPoint affiliate will extend in writing all inter-carrier agreements in effect as of the Merger closing date for three years

following their stated expiration date. Such extension shall not affect the right of a CLEC to terminate an agreement pursuant to the agreement's provisions. Either party may commence negotiation of a new agreement within nine months prior to the expiration of such extended term.

- b. For agreements that have expired or are renewed only on a month-to-month basis as of the Merger closing date, FairPoint will extend the then-current rates and other terms in writing for three years following the Merger closing date. Nothing herein shall affect the right of either party to extend such agreements further on a month-to-month basis following the expiration of such three-year term, if the terms of the agreement permit such unilateral month-to-month extensions. Either party may commence negotiation of a new agreement within nine months prior to the expiration of the three-year extension term.
- c. FairPoint will cause all volume pricing provided for in either type of agreement described above, or in tariff-based volume discount programs, to be pro-rated so such volume pricing terms will be deemed to exclude volume requirements from states outside of the three-state area served by Telco following the Merger closing date. FairPoint will work with CLECs and Verizon to provide them the same benefits in the aggregate as those provided by the existing Verizon volume discount arrangement; however, in the event that a CLEC chooses to reduce its spending in the Telco service territory post-closing, the Parties acknowledge and agree that FairPoint and its affiliates will not be required to hold such CLEC "harmless" in the amount of credit it receives under such volume discount arrangement.
- d. FairPoint will offer three-year agreements for tandem transit service, with rates capped at the current tandem transit rates for wholesale customers that agree to a three-year minimum term commitment.
- e. FairPoint will adopt and will cap existing rates under wholesale tariffs (e.g., Tariff 84 in New Hampshire) in effect as of the Merger closing date at then-current levels for a period of three years following the Merger closing date, and FairPoint will also freeze the wholesale discount offered under total service resale ("TSR") tariffs (e.g., Tariff 86 in New Hampshire) in effect as of the Merger closing date at then-current levels for three years following the Merger closing date, in each case unless FairPoint is required by law to modify such rates (for example, due to a mandated revenue-neutral rate rebalancing). FairPoint may make filings to initiate a proceeding to increase wholesale rates or to decrease a wholesale discount prior to the expiration of such three-year period provided that the effective date of such rate increase or discount decrease will be on or after the expiration of such three-year period. Services available pursuant to said tariffs, as may be amended from time to time in accordance with applicable law (but subject to the terms of this agreement), shall be made available to the CLECs in accordance with the terms thereof.
- f. FairPoint shall adopt the Vermont SGAT in effect as of the Merger closing

date and the Vermont SGAT shall remain in place with rates capped at then-current levels for three years following the Merger closing date. Services available pursuant to said SGAT, as may be amended from time to time in accordance with applicable law (but subject to the terms of this agreement), shall be made available to the CLECs in accordance with the terms thereof.

- g. Following the closing date of the Merger, FairPoint will seek to make Telco a party in Maine PUC Docket No. 2002-682 and, if permitted by the Maine Public Utilities Commission ("PUC"), Telco will be bound by the record in that proceeding created by Verizon for the establishment of tariffed rates in Maine for unbundled network elements required under Section 251(c) of the Communications Act.
- h. No CLEC will advocate any of the following to be effective within the three years following the Merger closing date: (i) any decrease in any of Telco's rates for tandem transit service, (ii) any decrease in Telco's rates for wholesale services under wholesale tariffs, (iii) any decrease in Telco's rates under the Vermont SGAT, or (iv) any increase in the wholesale discount offered under TSR tariffs. This agreement shall not preclude a Party from advocating any position in a rulemaking of general applicability to the ILEC sector, such as the FCC's Docket 05-25. Further, nothing herein shall preclude a Party from challenging a new service offering in any state or federal tariff proceeding. Notwithstanding anything herein to the contrary, FairPoint shall have the same rights and obligations as Verizon in connection with and arising out of any final order which may be issued within NHPUC Docket 06-067.

5. Access Services Provided Under Tariff

- a. Telco will not advocate any increase in any of its tariffed rates for interstate or intrastate tariffed special access circuits to be effective within the three years following the Merger closing date, unless required by law. Telco may commence a proceeding or proceedings seeking an increase in such rates prior to the expiration of such three-year period provided that the effective date of the new rates shall not be before the end of such three-year period.
- b. Telco will not withdraw any of its currently tariffed interstate or intrastate offering of special access circuits offering for three years after the Merger closing date, unless required by law. This agreement shall not prevent Telco from withdrawing other services offered under the special access tariffs, including high-speed, packetized broadband services previously tariffed by Verizon but authorized by the FCC to be withdrawn from the interstate special access tariff.
- c. No CLEC will advocate any decrease in any of Telco's interstate or intrastate tariffed special access rates to be effective within the three years following the Merger closing date. This agreement shall not preclude a Party from advocating any position in a rulemaking of general applicability to the ILEC sector, such as the FCC's Docket 05-25.

6. Service Quality & Performance Assurance Plan

- a. Telco will adhere to the applicable PAP and C2C Guidelines as implemented in each of the three states and be subject to the potential penalties and enforcement mechanisms set forth in those documents.
- b. Any CLEC may seek enforcement of the applicable PAP, even if such right is not expressly incorporated in the interconnection agreement, tariff or SGAT pursuant to which the CLEC purchases service.
- c. After the Merger closing date, FairPoint will work cooperatively with the CLECs and state utility regulatory staff in good faith to develop and implement a simplified, uniform PAP applicable to Telco in Maine, New Hampshire and Vermont. FairPoint agrees to begin this process by proposing for consideration by the CLECs a revised PAP that could be implemented in all three states.
- d. Reporting obligations and penalties under the PAP or C2C Guidelines will be temporarily suspended on the day of the cutover (the last business day of the month in which cutover occurs) and for the following one month (i.e., a total of one month plus one to three days). All Parties to this settlement agree not to oppose a request by FairPoint for a waiver of the PAP provisions as necessary to effectuate this temporary suspension. FairPoint shall take commercially reasonable steps to ensure that adequate personnel are available to process wholesale orders during the transition period and will structure the transition so as to be able to demonstrate that parity is maintained in the processing of retail and wholesale orders.
- e. FairPoint will comply with number porting intervals and trunk ordering rules and intervals as may be set forth within existing tariffs, interconnection agreements or other agreements, as the case may be. Otherwise, FairPoint will comply with industry standard number porting intervals and trunk ordering rules and intervals.

7. Forbearance

- a. FairPoint will not file any new forbearance petition seeking relief from any of Telco's Section 251 obligations or obligations to provide access to Settlement Items in any wire center in Maine, New Hampshire or Vermont for three years after the Merger closing date. FairPoint shall not be prohibited from pursuing rights of review or clarification or from enforcing any forbearance grant arising from a prior Verizon petition, with the exception that if the pending petition by Verizon seeking forbearance for the Boston MSA (which includes Strafford and Rockingham Counties in New Hampshire) is granted in whole or in part as to any wire centers in the acquired territory, FairPoint will not give effect to such forbearance for three years following the Merger closing date. In such event, the Parties agree that the three-year period following the Merger closing date shall be deemed to constitute a reasonable transition period, and no Party shall seek any additional transition beyond such three-year period before FairPoint may give effect to any such forbearance authority.

- b. FairPoint will not file any new forbearance petition seeking non-dominant treatment for Telco in the acquired territory for three years after the Merger closing date. Nothing herein will restrict FairPoint from enforcing any forbearance from dominant carrier regulation already granted to Verizon (by operation of law or otherwise) in the acquired territory.

8. Mutual Obligation to Support the Settlement Agreement and to Urge the Commission/Board to Approve It

- a. Each Party agrees to support the settlement terms set forth herein (the "CLEC Settlement Conditions"), to advocate approval of the Merger without additional wholesale conditions, and to urge the state utility regulatory commission to incorporate the CLEC Settlement Conditions into any final order approving the transaction. Without limiting the foregoing, each Party agrees to join in the filing of a joint Settlement Stipulation in New Hampshire Docket DT-07-011, and to file its own brief in Vermont Docket No. 7270, in each case indicating the Parties' support for approval of the Merger subject to the CLEC Settlement Conditions. In response to any inquiry into such Party's position in one or more of the Dockets, each Party will express its support for approval of the Merger subject to the CLEC Settlement Conditions, and its belief that no other wholesale conditions are necessary or in the public interest. Notwithstanding anything in this Section 8 to the contrary, in the event the New Hampshire Public Utilities Commission denies the waiver sought by the Parties in the Joint Stipulation to which this agreement is attached, then for purposes of the proceedings in Docket DT 07-011, the Parties are free to resort to their respective pre-settlement litigation position(s).
- b. The Parties agree that these terms are part of a partial settlement proposal and agree to cooperate in advocating that these terms be adopted in their entirety and without modification in each of Maine, New Hampshire and Vermont.
- c. In the event that the CLEC Settlement Conditions are not adopted in all material respects, and without material modification, by a state utility regulatory commission, they shall be null and void in that state, provided, however, that any material modification by one or more of the states of the role of the staff consulting firm in reviewing FairPoint's WOSS as described in Sections 3(a) and (b) above will have no effect on the enforceability of the other CLEC Settlement Conditions.
- d. In the event that the Merger does not close, the Settlement Stipulation and the CLEC Settlement Conditions shall be null and void.

- 9. Jurisdiction.** The Settlement Stipulation and the CLEC Settlement Conditions shall be enforceable by the state utility regulatory commissions except as expressly provided herein.

- a. The Parties agree that disputes over a question whether Telco is required to provide a Settlement Item or on what terms, under section 2(a) above, will be resolved in accordance with section 2(c) above. Jurisdiction over all other disputes arising hereunder or under the Settlement Stipulation properly lie with the state utility regulatory commission in the state which the dispute arises.
 - b. It is the intent of the Parties that any state utility regulatory commission to which a dispute is brought will resolve only those disputes arising in its state.
10. **No Admission.** Nothing herein constitutes an admission by any Party of any factual or legal issue or matter; and neither this document nor the settlement discussions that led to it shall be used as evidence in any proceeding unrelated to the enforcement of these CLEC Settlement Conditions or the Settlement Stipulation.
11. **Headings, Definitions.** Capitalized terms used herein without definition shall have the meaning ascribed to them in the Settlement Stipulation. Section headings used herein are for convenience only and shall have no legal effect.

Attachment 1

	ACTION ITEM	Timetable for Completion
1.	WOSS Webex demonstration for Wisor	August 27, 2007
ii.	Preliminary WOSS Test Plan provided to CLEC	1 week after signing of Joint Stipulation
iii.	<p>Input Into WOSS Readiness Criteria</p> <p>A. Staff Consulting Firm expected to be chosen by agreement of the three state utility regulatory commissions from among their respective consulting firms participating in the Dockets to provide input into the Readiness Criteria</p> <p>B. Opportunity for wholesale customers and Staff Consulting Firm to submit input to FairPoint on Preliminary WOSS Test Plan</p> <p>C. FairPoint and CLEC discuss electronic data interface (EDI) parameters</p> <p>D. In response to feedback from Staff Consulting Firm and wholesale customers, FairPoint provides final Cutover Readiness Criteria</p>	<p style="text-align: center;">October 2007</p> <p>No later than Oct. 31, 2007</p> <p>No later than Oct. 31, 2007</p> <p>No later than Nov 19, 2007</p>
iv.	<p>WOSS Training and Testing</p> <p>A. FairPoint provides final schedule for CLEC training and WOSS testing</p> <p>B. CLECs conduct WOSS testing and report results to FairPoint and Staff Consulting Firm</p>	<p>No later than Nov. 19, 2007</p> <p style="text-align: center;">December 2007 through February 2008</p>
v.	<p>A. FairPoint develops escalation procedures</p> <p>B. FairPoint develops contingency plans for selected work-around scenarios</p>	<p style="text-align: center;">Nov. 30, 2007</p> <p style="text-align: center;">March 31, 2008</p>
vi.	Final Cutover Schedule distributed to CLECs	Following Notice of Readiness to Cutover, but at least 45 days prior to Cutover

EXHIBIT 2