DRM
DOWNS RACHLIN MARTIN PLLC

NANCY S. MALMQUIST

January 8, 2008

Mrs. Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

Re: Docket 7270: Joint Petition of Verizon New England Inc., d/b/a Verizon Vermont, Certain Affiliates Thereof, and FairPoint Communications, Inc. for approval of an asset transfer, acquisition of control by merger and associated transactions

Dear Mrs. Hudson:

Attached for filing is an original and six copies of a Stipulation among FairPoint Communications, Inc. ("FairPoint"), Verizon New England Inc., d/b/a Verizon Vermont on behalf of itself and its affiliates NYNEX Long Distance Company, Verizon Select Services Inc., Bell Atlantic Communications Inc., Northern New England Telephone Operations LLC, and Enhanced Communications of Northern New England Inc. (collectively, "Verizon"), and the Vermont Department of Public Service ("Department" or "DPS").

Thank you for your assistance in this matter. Please call with any questions.

Very truly yours,
DOWNS RACHLIN MARTIN PLLC
Attorneys for FairPoint Communications, Inc.

By: Nancy S. Malmquist

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Enclosures

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PSB Docket No. 7270 – Service List

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STATE OF VERMONT
PUBLIC SERVICE BOARD

Joint Petition of Verizon New England Inc., d/b/a Verizon Vermont, Certain Affiliates Thereof, and FairPoint Communications, Inc. for approval of an asset transfer, acquisition of control by merger and associated transactions	)	Docket No. 7270

STIPULATION AMONG FAIRPOINT COMMUNICATIONS, INC., VERIZON NEW ENGLAND INC. AND THE VERMONT DEPARTMENT OF PUBLIC SERVICE

With respect to the above-captioned docket, FairPoint Communications, Inc. ("FairPoint"), Verizon New England Inc., d/b/a Verizon Vermont on behalf of itself and its affiliates NYNEX Long Distance Company, Verizon Select Services Inc., Bell Atlantic Communications Inc., Northern New England Telephone Operations LLC, and Enhanced Communications of Northern New England Inc. (collectively, "Verizon"), and the Vermont Department of Public Service ("Department" or "DPS") stipulate and agree as follows:

WHEREAS, on January 31, 2007, Verizon and FairPoint filed a Joint Petition under 30 V.S.A. § 107, 109, 231 and 311, seeking an order approving the transaction pursuant to which FairPoint will acquire Verizon's local exchange and long distance businesses in Vermont (the "Proposed Merger and Related Transactions");

WHEREAS, the Vermont Public Service Board (the "Board") issued an order dated December 21, 2007 in which the Board denied the petition filed by FairPoint and Verizon and stated that: "we are persuaded that the proposed acquisition offers potential benefits to the Vermont customers now served by Verizon: (1) improved service quality; (2) expansion of broadband coverage to reach over 80 percent of Verizon's current customers, along with faster speeds; (3) a commitment to make adequate investment in the infrastructure; (4) expanded service offerings; and (5) the presence of a company whose major interest is providing wireline telecommunications service in Vermont and the other northern New England states;"

WHEREAS, the Board stated that "because of these potential benefits, we remain open to a new filing from FairPoint that seeks to address the financial concerns that we describe in this Order," and stated that "we will leave this docket open for a period of time to permit FairPoint and Verizon to modify their proposal" to address the Board's concerns;

WHEREAS, the Board further stated "but for these financial risks, we would approve the merger;" and

WHEREAS, the Department filed testimony raising certain concerns regarding the proposed transaction, and since the issuance of the order the Department, FairPoint and Verizon have engaged in settlement negotiations and have settled certain matters pertaining to the joint petition of FairPoint and Verizon.

NOW, THEREFORE, FairPoint, Verizon and the Department stipulate and agree as follows:

1. Capital Expenditures/Dividend Restriction. During the three years following the Closing Date, FairPoint shall make, on average, annual capital investments in Vermont in the following minimum amounts:

First Year:	$ 41,000,000.00
Average of First Two Years:	$ 40,000,000.00
Average of First Three Years:	$ 40,000,000.00

To assure investment in the network occurs as projected by FairPoint, total dividend payments by FairPoint to its common shareholders following the two year anniversary of the closing will be reduced the following year by the amount in which the annual average capital expenditures made in Vermont over the two years is less than $40 million, and dividends paid in the year following the three year anniversary will be reduced by the amount in which the annual average capital expenditures over the three-year period is less than $40 million.

2. Further Dividend Restrictions.

(a) Beginning with the first full quarterly dividend paid after the closing of the Merger, FairPoint shall reduce its aggregate annual dividends payable on common stock (currently $1.59 per share) by 35% which is effectively an annual reduction of approximately $49.7 million from current projected levels after the Merger. FairPoint shall not be allowed to subsequently increase its per share dividend until this limitation is terminated pursuant to paragraph 4.

(b) FairPoint shall not declare or pay any dividend on the common stock of FairPoint following the end of any three consecutive fiscal quarters during which the Leverage Ratio exceeds 5.50 (reduced to 5.0 at and after the fifth full calendar quarter following the Closing Date) or the Interest Coverage Ratio is less than 2.25. FairPoint shall use funds that would otherwise be available to pay dividends but for this restriction to first repay outstanding borrowings under its revolving credit agreement and second to prepay Term Loan borrowings (unless the loan agreements require a different order of payment) until such repayments reduce the debt as of the end of the last respective quarter such that the Leverage Ratio is reduced to 5.5 or 5.0, respectively. (There will not be any limitation on dividends paid during the first two full fiscal quarters following the closing beyond the reduction agreed to in paragraph 2(a).)

(c) FairPoint shall limit the cumulative amount of payments of dividends on its outstanding common stock (excluding the first two full quarterly dividend payments after the closing) to not more than the cumulative adjusted free cash flow (before dividends) generated from and after the Closing Date.

(d) The conditions in paragraphs (b) and (c) will not be effective until the third full fiscal quarter following the closing, to be consistent with the proposed credit agreement. For all purposes in this Stipulation Leverage Ratio shall be defined as the ratio of Total Indebtedness to Adjusted EBITDA. In calculating the Leverage Ratio, for purposes of this Stipulation, FairPoint shall use the outstanding gross debt amount reduced by any available cash balance, provided that the amount of cash netted against gross debt shall be no more than $25 million. The definitions of Total Indebtedness and Adjusted EBITDA shall be the same as those contained in FairPoint's current loan documents and as modified by the terms of the new loan documents.

3. Debt Reduction. Beginning in the first quarter of 2009, FairPoint agrees to pay the higher of $35,000,000 annually, or 90% of annual Free Cash Flow, to be applied equally in each fiscal quarter, towards the permanent reduction of the principal amount of the Term Loan(s). Free Cash Flow is defined as the cash flow remaining after all operating expenses, interest payments, tax payments, capital expenditures, dividends and other routine cash expenditures have occurred. (For the first year of operations, this calculation would include all adjustments permitted by the current and the new loan documents.)

4. Termination of Financial Conditions. The requirements and conditions in paragraphs 2(a), (b) & (c) and 3, above, shall terminate upon FairPoint achieving a

Leverage Ratio of 3.5 for any three consecutive fiscal quarters, provided that if within two years of the end of such three consecutive fiscal quarters achieving the Leverage Ratio of 3.5, the Leverage Ratio exceeds 4.0 for any three consecutive quarters, the limitations and conditions in paragraphs 2(a), (b) & (c) and 3 will become effective and remain effective until the earlier of five years after the end of such three consecutive fiscal quarters achieving a Leverage Ratio of 3.5 or ten years after the Closing Date. In any event, the limitations and conditions in paragraphs 2(a), (b) & (c), 3 and 4 shall terminate no later than ten years after the Closing Date. (For the purpose of clarity, if over the ten year period FairPoint does not achieve the Leverage Ratio of 3.5 for three consecutive quarters, the limitations and conditions remain in effect over the entire ten year period.)

5. Working Capital Adjustment. Verizon will provide at or before closing a contribution to Northern New England Spinco Inc. ("Spinco") that will increase Spinco's working capital in the amount of $235.5 million in addition to the amount specified for working capital in the Distribution Agreement as of the date hereof. FairPoint shall use $235.5 million to repay permanently (or otherwise not incur), not later than 30 days after the closing of the Merger, the Term Loan or the Spinco Securities issued or incurred at closing.

6. At closing, FairPoint will adopt the Performance Enhancement Plan to support its service quality and broadband commitments, attached to the Stipulation as **Attachment A-1**. The Department, Verizon and FairPoint agree that as a result of the agreements and merger conditions contained in this Stipulation, there is no need for the Board to include

the Department's proposed condition number 6 (concerning restrictions on cash transfers to the FairPoint parent company) in its order.

7. FairPoint has agreed to an independent third party monitor for the Transition Services Agreement cutover process pursuant to the scope of work ("FairPoint Cutover Monitoring Statement of Scope", **attached as Attachment A-2**) established by representatives of the Department, the Maine Public Utilities Commission and the New Hampshire Public Utilities Commission, to be paid for by FairPoint.

8. Prior to the Merger closing, Verizon, Spinco and FairPoint shall amend their transaction agreements to the extent required to reflect the applicable terms expressly set forth herein.

9. FairPoint, Verizon and the Department agree that the Board should approve the Proposed Merger and Related Transactions pursuant to 30 V.S.A. §107, 109, 231 and 311, subject to the conditions set forth in Paragraphs 1-7 of this Stipulation and the conditions outlined in Appendix B of the Board's order in this docket dated December 21, 2007, other than those conditions for which FairPoint and Verizon seek modification or reconsideration in a timely fashion. Nothing in this stipulation shall bar FairPoint or Verizon from seeking reconsideration or modification of any of the Board's proposed conditions in Appendix B, nor shall the Department be foreclosed from opposing any such request. The Department agrees that, subject to these conditions, such transactions (including designation of Northern New England Telephone Operations LLC, as an Eligible Telecommunications Carrier under 47 U.S.C. §214(e) and in

compliance with 47 C.F.R. §54.201), will promote the public good and the general good of the state.

10. FairPoint, Verizon and the Department agree to devote their best efforts toward Board approval of this Stipulation.

11. The parties agree that this Stipulation shall not be construed by any party or tribunal as having precedential impact on any future proceeding involving the parties, except as necessary to implement this Stipulation or to enforce an order of the Board resulting from this Stipulation.

12. This Stipulation shall be approved without modification or additional condition on the subjects addressed herein. This Stipulation represents the only agreement between the parties to the Stipulation and rejection of any part of this Stipulation constitutes a rejection of the whole and the Stipulation shall thereafter be null and void. In the event that the Merger does not close or this Stipulation and its terms are not adopted by the Board in their entirety and without modification, this Stipulation and all of the terms and conditions contained herein shall be null and void.

Dated: January 8, 2008.

VERIZON NEW ENGLAND INC., NYNEX LONG DISTANCE COMPANY, VERIZON SELECT SERVICES INC., BELL ATLANTIC COMMUNICATIONS, INC., NORTHERN NEW ENGLAND SPINCO INC., NORTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC and ENHANCED COMMUNICATIONS OF NORTHERN NEW ENGLAND INC.

By their attorneys:

Dated: 1/8/08

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Dated: January 8, 2008.

VERIZON NEW ENGLAND INC., NYNEX LONG DISTANCE COMPANY, VERIZON SELECT SERVICES INC., BELL ATLANTIC COMMUNICATIONS, INC., NORTHERN NEW ENGLAND SPINCO INC., NORTHERN NEW ENGLAND TELEPHONE OPERATIONS LLC and ENHANCED COMMUNICATIONS OF NORTHERN NEW ENGLAND INC.

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VERMONT DEPARTMENT OF PUBLIC SERVICE

By its attorneys:

Dated: Jan. 8, 2008

By: ______________________

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Attachment A-1

Performance Enhancement Plan

A. Purpose and relationship to existing SQP: The Performance Enhancement Plan (PEP) is intended to create strong incentives for FairPoint to improve historic areas of poor performance in the legacy Verizon-Vermont service territory, discourage development of new areas of poor performance, and create a strong incentive for timely completion of FairPoint's broadband investment commitments in Vermont. Although the PEP measures service quality performance using many of the same performance areas as the existing Service Quality Plan (SQP), as well as some additional ones, it is intended to be supplemental to the SQP, and does not change or alter the SQP in any way. Dollars generated under the PEP are primarily intended to be made available to fund incremental expenditures that will improve service quality, but a small amount may be forfeited for other specified purposes, so as to provide an incentive for FairPoint to limit accumulation of dollars under the PEP and to avoid any delays in the agreed upon deployment of broadband.

B. Generation of PEP Fund dollars due to service quality: FairPoint will set aside money in a PEP Fund each year if it fails to meet certain service quality performance measurements in calendar years 2008, 2009, and 2010. FairPoint shall hold such monies until disbursed according to the requirements of the PEP, recognizing that in certain circumstances incremental remedial disbursements may, in compliance with paragraph C. below, precede the set asides. In any case, incremental remedial disbursements made during the year under this plan will reduce the set asides consistent with paragraph C. below. FairPoint shall set aside an amount to be determined by the number of SQP Annual Service Quality Performance Areas for which FairPoint's performance in that year does not meet the baseline standard and by the number of "Service Quality Events" (defined below) that FairPoint experiences. FairPoint shall be obligated to set aside up to a maximum of $12.5 million in the PEP Fund for each calendar year for reasons related to its service quality delivered in that calendar year. The maximum and first priority to fund the set aside shall be cash funding up to $10 million with any additional set asides covered by reserving the appropriate amount under FairPoint's credit facility. Performance measurements under the PEP will apply to performance by FairPoint after it assumes responsibility for operations.

1. *Annual Service Quality Performance Areas.* For each Performance Area in the SQP (except Performance Area 9) for which FairPoint's performance does not meet the baseline standard as of each calendar year end, FairPoint shall set aside $5 million in the PEP Fund at the time it reports annual service quality performance to the Department and the Board.
2. *Service Quality Events.* For each Service Quality Event FairPoint experiences, FairPoint shall set aside $1.0 million in the PEP Fund within 30 days of the event. An Event shall consist of any of the following (Events due to Acts of God or force majeure will not be counted as Events for purposes of the PEP; however, for purposes of this PEP, the term "Acts of God" does not include the occasional severe weather that occurs in Vermont.):

a. Each month equal to three or more consecutive months in which the network trouble report rate for an exchange exceeds 1.4 trouble reports per 100 lines in service. Each exchange exceeding the standard shall constitute an event.[1]
b. Each month equal to three or more consecutive months in which the rate of business troubles not cleared in 24 hours for an exchange exceeds 10% of business troubles. Each exchange exceeding the standard shall constitute an event.
c. Each month equal to three or more consecutive months in which the rate of residential troubles not cleared in 24 hours for an exchange exceeds 30% of residential troubles. Each exchange exceeding the standard shall constitute an event.
d. A service outage affecting more than 50 access lines simultaneously resulting in a "no dial tone" condition for more than 5 hours.
e. An interoffice facility failure or blockage impacting a central office for more than 30 minutes where the number of access lines affected multiplied by the number of minutes in duration exceeds 900,000.
f. A loss of interoffice calling capability from one host central office to another as a result of a Signaling System failure for more than 30 minutes.
g. Any year in which the number of FairPoint consumers who file complaints with the Department of Public Service that are ultimately classified as escalations following investigations exceeds 140 per calendar year.

<u>C. Service Quality remediation and use of the PEP Fund:</u> Upon triggering of a set-aside of dollars into the PEP Fund, whether due to a reported Service Quality Performance Area, or due to a Service Quality Event, FairPoint shall produce a remediation plan within 30 days to address the issue leading to the triggering of the set-aside. FairPoint may propose a remediation plan at any time that addresses the service quality events and performance areas addressed by this plan. The remediation plan may include use of PEP Fund dollars for capital expenditures or operating expenses. Such expenditures or expenses must be incremental to FairPoint's budgeted or planned annual Vermont operations expenses and capital expenditures and must be used to fund new or additional activities to remediate the issue. Upon request of the Department or upon its own motion and after notice and opportunity for hearing, the Board may reject FairPoint's proposal to use PEP Fund money if it finds it does not meet the criteria stated herein for use of such funds, or may disallow credit for such use if the expenditures are made prior to the year end calculation for the set aside.

<u>D. Broadband:</u> At the end of 2008, 2009 and 2010 if FairPoint fails to meet its broadband requirement under the alternative regulation plan, it shall pay $1.0 million to the Vermont Telecommunications Authority ("VTA") for each year it fails to meet its required milestone. Payments shall be made by January 31 after the end of the year in which it failed to meet the milestone If FairPoint fails to meet the requirement from Docket 7270 to provide 100%

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[1] For example, if exchange A has a network trouble report rate of 1.5 for three consecutive months, that would constitute one Service Quality Event. If exchange A has a network trouble report rate of 1.5 for four consecutive months, that would constitute four consecutive months, that would constitute two Service Quality Events. If exchange A and exchange B each have network trouble report rates that exceed 1.5 for four consecutive months, that would constitute four Service Quality Events.

broadband availability in 50% of its exchanges, it shall also pay to the VTA $350,000 per exchange below the 50% of exchanges target in which it did not achieve 100% broadband availability, up to a maximum of $9 million. It shall make these payments by January 31, 2011. Payments by FairPoint to the VTA shall not relieve FairPoint of any obligations to perform on broadband expansion obligations.

E. Forfeiture of PEP Fund Dollars: After any calendar year in which PEP Fund dollars spent for remediation is less than the total of PEP Fund set-asides due to (i) failures to meet the baseline standards of Annual Service Quality Performance Areas in the prior calendar year and (ii) Service Quality Events in the present calendar year[2], FairPoint shall each year forfeit the lower of $500,000 or the balance remaining in the PEP Fund to the VTA. FairPoint shall make these payments after the close of the calendar year on or before March 15, 2009, March 15, 2010, and March 15, 2011. By December 31, 2011, FairPoint shall make an additional forfeiture to the VTA from the PEP Fund in the amount of $1.0 million or the amount of money remaining (if any) in the PEP Fund, whichever is less. If, after making the payment due by December 31, 2011, money remains in the PEP Fund, FairPoint may reclaim the remaining funds if at any time after January 1, 2011 if it has not violated any Vermont service quality standard or requirement applicable to it at the time for a period of not less than 12 months. Until such time as FairPoint is able to reclaim the money or the PEP Fund is exhausted, FairPoint shall propose to the Board additional remediation actions to fund out of the PEP Fund which will improve service quality for consumers.

[2] For purposes of this calculation, set-asides required for a Service Quality Event shall be counted on the date the set-aside was made, not on the date the triggering event occurred.

Attachment A-2

FairPoint Cutover Monitoring
Statement of Scope

The Liberty Consulting Group ("Liberty") understands that the Maine Public Utilities Commission, the New Hampshire Public Utilities Commission, and the Vermont Department of Public Service ("State Regulators") are interested in engaging a consultant to monitor the cutover from Verizon's back-office systems to those developed for FairPoint by Capgemini in the event that the MPUC, NHPUC, and VTPSB approve the proposed transaction. The purpose of this engagement is to address concerns raised in proceedings in each of the three states that failures in the transition from Verizon to FairPoint systems can produce adverse customer impacts. The State Regulators recognize that FairPoint is already developing and testing its systems and that Liberty's participation before any regulatory approvals may prove useful even if the transaction is not ultimately approved. The State Regulators' interest and participation in Liberty's engagement shall not be construed by any party as an indication that any of the state regulatory commissions will approve the proposed transaction nor consent to be bound by specific recommendations made by Liberty. Liberty understands that the work would include the following activities but would not include an explicit approval of FairPoint's testing criteria, practices, or strategies.

Review and Assessment of FairPoint Planned Testing and Cutover Readiness Process

This part of the scope of work will begin immediately at commencement of the project and will involve a thorough review of FairPoint's planned testing process to determine readiness to provide Verizon with notice of readiness for cutover and to proceed with the cutover of systems and functions provided by Verizon to the Northern New England operation. Liberty expects that this review will be accomplished through review of documents, telephone conferences, and on-site meetings with FairPoint and Capgemini personnel working on the conversion project. Liberty will also review the concerns and requirements expressed by the wholesale systems users. Through this process, Liberty will:

- Review the systems testing strategy.
- Review the systems testing plans.
- Review the specific test cases.
- Review the expected outcome of the test cases.
- Review the testing acceptance criteria.
- Analyze the testing strategy and plans for adequacy, feasibility, and comprehensiveness in addressing all necessary functions moving from Verizon to FairPoint.

- Review the testing acceptance criteria for adequate classification and disposition of outcome defects (severity 1, severity 2, etc.). Analyze the test cases for completeness and accuracy in addressing the necessary functions.
- Review staffing requirements and plans.
- Review system training plans and schedules, both for FairPoint personnel and wholesale customers.
- Review notice and readiness timetables given to wholesale customers for adequacy and reasonableness.
- Notify FairPoint of issues and concerns exposed in the review and recommendations for FairPoint action.
- Identify the key business processes and associated test criteria that FairPoint must use to demonstrate cutover readiness. Successful performance on these key test criteria by FairPoint should be necessary (although not necessarily sufficient) for proceeding with the final cutover.

Key Deliverables:

- A draft report to the State Regulators on the testing strategy, plans, acceptance criteria, and test cases after completing the initial review. This report will include comments and recommendations; a list and description of key business processes and associated test criteria, with explanation as to why they were selected; and identification of any key concerns raised with FairPoint that have not been addressed.
- Release of the draft report for review and comment by the State Regulators and interested parties, including wholesale customers.
- A final report on the testing strategy, plans, acceptance criteria, and test cases after Liberty review of the input from the State Regulators and interested parties.

Monitoring of Testing and Cutover Readiness Process

This part of the scope of work will be will be ongoing from the beginning of the project through the notification by FairPoint to Verizon of readiness for conversion. During this process Liberty will collect information on the progress being made toward cutover readiness and flag emerging issues or areas of concern for the State Regulators. As part of monitoring, Liberty will:

- Participate in FairPoint project status meetings at least monthly.
- Participate in Capgemini and FairPoint test status and defect review meetings and key decision making meetings, as appropriate.
- Participate monthly in FairPoint conference calls with CLEC technical subject matter experts to verify progress towards cutover readiness from wholesale users' perspective.
- Review any updates or changes to the testing strategy, plans, acceptance criteria, test schedules, test cases, training plans, and training schedules that occur as the systems development and testing proceeds.

- Provide updates, comments, and recommendations on any changes to the State Regulators.
- Review the test results on a weekly basis as the testing proceeds, examining all severity 1 and severity 2 failures and a selected set of other results and comparing number of scheduled versus actually executed tests.
- Review systems training progress.
- Monitor FairPoint's progress in bringing on staff and developing the organization needed to support business processes post-conversion.
- Verify that FairPoint is using appropriate and sufficient methods to assure complete and accurate conversion of data from the Verizon systems to the new FairPoint systems. This would include but not be limited to verifying that the conversion team is using automated comparative conversion metrics reporting of key count statistics between the Verizon systems and the converted data in the new systems, including access line counts by type, customer counts by type, product counts by product code, and other comparably key statistics.
- Review and verify FairPoint's and Verizon's ability to successfully migrate necessary data from Verizon to FairPoint systems in a reasonable timeframe.
- Observe selected system and business process acceptance tests, as appropriate, and review the detailed test results for key acceptance criteria.
- Review and evaluate the readiness of FairPoint's systems, organization, and business processes to support retail operations at cutover.
- Review and evaluate the readiness of FairPoint's systems, organization, and business processes to support wholesale operations at cutover, including the readiness to offer those required services, products, and network elements specified by the State Regulators.
- Verify that FairPoint has performed the steps necessary to confirm accuracy of the data converted from Verizon systems in advance of cutover. This will include but not be limited to verifying that the conversion team has performed a conversion "audit" to confirm conversion data accuracy for important data on the final mock conversion in advance of cutover. This audit should involve statistically valid sampling of important converted data within the new systems to ensure that it is accurate as designed and required for business operation.
- Verify that FairPoint has taken the necessary steps to produce service quality and other required regulatory reports.

Key Deliverables:

- A weekly telephone status conference with the State Regulators to answer questions as the system development and testing proceeds.
- A monthly written report to the State Regulators, including a public version, commenting on the test results and systems training progress and making recommendations for use in decision making prior to cutover. Among other items, the monthly report would:
    - Review the overall test status and defect reporting at application and summary levels.
    - Highlight performance on key test criteria.

- Summarize and comment on known workarounds planned by FairPoint.
- Summarize and evaluate FairPoint's contingency planning and escalation procedures.
- Summarize possible service-affecting issues, their magnitude and severity, and possible remedies.
- Summarize any remaining concerns of the consultant, based on the observations it has made and data it has reviewed.

Pre-Cutover Readiness Review and Final Report

Through its monthly reporting process, Liberty will inform the State Regulators of the status of FairPoint's plans to provide its Cutover Readiness Notice to Verizon. Liberty anticipates that in the month before FairPoint is likely to provide this notice, the State Regulators will have an increased need for information about testing status. In addition, at the end of the monitoring process after cutover, Liberty will provide a final report to the State Regulators. In this portion of the review, Liberty will:

- Be available to answer additional questions that the State Regulators may have related to FairPoint's cutover readiness.
- Participate in conference calls and/or status conferences, as appropriate to each state.
- Produce a final report after cutover, summarizing Liberty's review and conclusions.

Key Deliverables:

- A conference call with State Regulators to answer questions about FairPoint's cutover readiness.
- Participation in a status conference in Vermont with the Vermont Public Service Board to present and answer questions from the Board on FairPoint's cutover readiness.
- One final report to the State Regulators two months after cutover, summarizing the project and final conclusions, including identifying any key business process gaps and ongoing FairPoint system development activities to them.
- A conference call with the State Regulators to answer questions about the final report.

Post-Cutover Review and Report

If the cutover proceeds without significant problems, Liberty's review will end at cutover. However, if after cutover the State Regulators obtain information from customers or other interested parties that customer-affecting problems have arisen, the State Regulators may elect to retain Liberty for further work to ascertain the source of the perceived problems and FairPoint's actions and plans to alleviate them. In this part of the project, Liberty would:

- Identify and review problems associated with the conversion.

- Confer with Consumer Affairs staffs of each of the State Regulators regarding consumer complaints post-cutover.
- Review FairPoint's continuing system development plans for work that will be completed post-cutover to address any gaps in the support of key business processes at cutover.
- Evaluate the effectiveness of workarounds which were implemented and progress toward their elimination.
- Meet with FairPoint personnel to review and evaluate the results of the cut-over and ongoing performance.

Key Deliverables:

- A report to the State Regulators that summarizes the problems that have arisen as part of the conversion, identifies ongoing FairPoint system development activities to address key business process gaps, and recommends whether any further monitoring is necessary.
- A conference call with the State Regulators to answer questions about the report.

State Regulator Reporting and Oversight

Liberty understands that the New Hampshire PUC will provide contract management for this contract, and that its agreement is with the New Hampshire PUC. Payment for services will be received through the New Hampshire PUC, and Liberty understands that it will not be receiving payment from any other party. It is the intention of the New Hampshire PUC to collaborate with the Vermont DPS and the Maine PUC in a collaborative inter-jurisdictional process. Liberty understands that the New Hampshire PUC intends that Liberty will report on work performed to an individual designated at each of the three State Regulators. Liberty agrees that it will respond to inquiries and requests from any of the three State Regulators that are within the Scope of Work agreed to in this contract.

Rate

Liberty estimates that this work will require the following consultant hours and expenses:

Consultant	Function	Hourly Rate	Review and Assessment of Testing and Cutover Readiness Process	Monitoring of Testing and Cutover Readiness Process	Pre-Cutover Readiness Review and Final Report	Total Hours	Total Cost
Antonuk	Engagement Executive and Principal Regulatory Interface	$225	40	40	40	120	$27,000
King	Engagement Manager and Lead, Product Management, Data Integrity, and End-to-End Testing	$215	160	200	80	440	$94,600
Falcone	Lead, Wholesale and Network Operations	$195	160	200	60	420	$81,900
Freda	Lead, Financial Operations	$185	160	200	60	420	$77,700
Howard	Lead, Billing and Customer Care	$185	160	200	60	420	$77,700
Kowal	Lead, Network Support Functions	$185	160	200	60	420	$77,700
Vavro	Lead, Human Resources and Other Matters	$185	120	160	40	320	$59,200
Martin	Project Support	$185	40	120	40	200	$25,000
TOTAL (Hrs.)			1000	1320	440	2760	$520,800
EXPENSES							$96,000
TOTAL							$616,800

This estimate is based on the following assumptions:

1. The scope of work covers only those items listed in this Scope of Work.

2. The work will require no more than six on-site visits to FairPoint and Capgemini facilities for each of the consultants responsible for the functional aspects of the cutover monitoring.
3. The work will require no more than two visits to the State Regulators in each of the three states.
4. There will be additional administrative expenses amounting to $20,000.
5. Cutover occurs before June 1, 2008.
6. The work described in Post-Cutover Review and Report will not be necessary and is not included

Using these assumptions, Liberty offers a not-to-exceed price for the work of $616,800. If cutover occurs after June 1, 2008 or if the State Regulators require the work described in Post-Cutover Review and Report, Liberty will provide an estimate of consultant hours for the additional work required and will bill for this additional work at the hourly rates noted in the table above. If the State Regulators request that additional travel be made and administrative expenses incurred beyond that assumed above, Liberty will bill for these additional expenses.