

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into on this 7th day of November, 2007 by and between the New Hampshire Electric Cooperative, Inc. ("NHEC") and the FairPoint Communications, Inc. ("FairPoint") (together the "Parties").

WHEREAS, on January 31, 2007, Verizon New England, Inc., Bell Atlantic Communications, Inc. NYNEX Long Distance Company, Verizon Select Services and FairPoint Communications, Inc. filed a joint application ("Joint Application") with the New Hampshire Public Utilities Commission ("Commission") seeking, inter alia, to transfer Verizon New England's ("Verizon") assets, business and franchise related to the provision of local exchange and intrastate toll service in New Hampshire, pursuant to RSA 374:30, to Northern New England Telephone Operations Inc. ("Telco") (the "Proceeding"). The Joint Application also seeks the Commission's authorization for Telco to commence business as a local exchange and intrastate toll service provider within the portions of the State of New Hampshire served by Verizon, pursuant to RSA 374:26;

WHEREAS, on February 22, 2007, NHEC intervened in the Proceeding; and

WHEREAS, the Parties wish to settle their issues and concerns related to the Proceeding concerning joint pole use, joint pole ownership and joint plant operations as further detailed herein;

NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and undersigned, the Parties agree as follows:

1. Conditions Precedent

As conditions precedent to this Agreement, the following two conditions must be satisfied: (1) the Commission must approve the Joint Application in any form that allows Verizon New England, Inc.'s assets to be transferred to Northern New England Telephone Operations Inc. or any other entity related to FairPoint; and (2) subsequent to Commission approval, a closing must occur at which some or all of the assets of Verizon New England, Inc., Bell Atlantic Communications, Inc., NYNEX Long Distance Company, and Verizon Select Services are transferred to Northern New England Telephone Operations Inc. or any other entity related to FairPoint ("Closing").

2. Communication and Coordination

NHEC and FairPoint shall each designate a manager to serve as a Joint Plant/ROW Coordinator ("Joint Coordinator"). Once the Closing has occurred the Joint Coordinators shall meet and negotiate new or amended joint pole arrangement agreements, including joint ownership or joint use contracts and intercompany operating procedures ("IOPs") ("Joint Pole

Arrangements”) to incorporate the terms agreed upon in this Agreement. Unless otherwise agreed by the Joint Coordinators in writing, NHEC and FairPoint shall finally negotiate all Joint Pole Arrangements within twelve (12) months of the date on which the Closing occurred. Once the Closing has occurred, the Joint Coordinators shall meet at least quarterly to discuss joint pole operations and procedures, budget issues and general methods of improving joint pole administration. All agreed upon changes to joint pole operations and administration will be documented in addenda to the Joint Pole Arrangements. Such addenda shall be incorporated into the agreements or IOPs by amendment, as appropriate, on an annual basis. The Joint Coordinators shall also be responsible for maintaining contact information relating to other relevant stakeholders including, but not limited to, representatives of parties with pole attachments, municipal and state officials, emergency response personnel, and other relevant parties.

NHEC and FairPoint shall each designate a senior management representative with ultimate responsibility for joint pole operations. Issues arising under the Joint Pole Arrangements that cannot be resolved at the Coordinator level shall be escalated to the senior management representatives.

Once the Closing has occurred, NHEC and FairPoint shall work cooperatively to identify (i) the ownership of each pole in the NHEC service territory and (ii) the maintenance area for which NHEC is responsible and the maintenance area for which FairPoint is responsible. The parties shall collaborate to resolve any inconsistencies existing with respect to pole ownership and maintenance areas (i) for which NHEC thinks FairPoint is responsible and (ii) for which FairPoint thinks NHEC is responsible. Once completed, the ownership of all poles and the maintenance area for which each utility is responsible shall be set forth in an agreement between NHEC and FairPoint, which shall be amended as necessary. Once the Closing has occurred, the tasks identified in this paragraph shall be completed within 15 months, unless another deadline is mutually agreed upon by NHEC and FairPoint.

Once pole ownership and maintenance areas are fully identified and all inconsistencies are resolved, NHEC and FairPoint shall transfer the ownership of poles, wherever appropriate, on a one-for-one basis. For example, for every pole that NHEC owns that the Parties believe should be owned by FairPoint such pole shall be transferred to FairPoint in exchange for a pole that FairPoint owns that the Parties believe should be owned by NHEC. If a disproportionate amount of inconsistent poles are owned by one Party such that all of such poles cannot be transferred on a one-for-one basis, then NHEC and FairPoint shall discuss selling such poles, wherever appropriate.

3. Emergency Response

NHEC and FairPoint shall work cooperatively to ensure that the incident control system adopted in each municipality includes protocols for pole emergencies that direct the first responder (Incident Commander) to make contact with both NHEC and FairPoint at the earliest stages of the response regardless of the maintenance area.

NHEC and FairPoint shall maintain notification procedures to ensure early, and ongoing, communication between each other during pole emergency situations. The utility with responsibility for the maintenance area involved shall notify other attaching carriers affected by the incident.

A transition period of six months ("Transition Period") following the Closing will exist; thereafter, NHEC and FairPoint shall achieve an average emergency response time from the initial call report until the arrival on scene of the on-call supervisor, technician or repair crew or crews of not more than 90 minutes following the initial call ("Target Response Time"). During the Transition Period, NHEC and FairPoint shall use commercially reasonable efforts to achieve the Target Response Time. If a pole set is required within the responsible party's maintenance area and the responsible party does not arrive with the appropriate crews and poles within 2 hours, the other party may (but shall not be required to) set the pole and bill the other party with maintenance responsibility at the standard rates of the party setting the pole as set forth in the Joint Pole Arrangements. This paragraph shall not apply in the event of major weather events.

4. Pole Inspection and Maintenance

NHEC shall maintain its existing pole inspection program for its sole-owned poles. FairPoint shall develop and maintain a pole inspection program for all of its sole-owned poles, which shall require that poles be inspected initially at or before the age of 20 years and be re-inspected at a maximum of 10 year intervals thereafter. Such pole inspection program shall be developed within 12 months of the Closing. Within 12 months of the Closing, NHEC and FairPoint will collaboratively develop a pole inspection program, which shall be documented as an IOP, where both parties share equally in the inspection of all joint-owned poles. Poles needing replacement shall be in accordance with the new or existing NHEC / FairPoint IOP, as amended. Records of inspections shall be retained to show where and when corrective action was taken.

5. Pole Relocations

The Joint Coordinators shall work cooperatively to arrange the scheduling of pole replacements required for highway construction. NHEC and FairPoint shall participate in meetings of the New Hampshire Department of Transportations and municipal public works officials to coordinate and schedule relocation work thereby committing the necessary resources to meet the agreed upon schedules. The party with maintenance responsibility for the area shall be responsible to notify attaching carriers of the schedule requirements. The parties understand and agree that the relocation schedule includes the removal of double poles once facilities of NHEC, FairPoint and third party attachees have been removed. The establishment of the relocation schedule and the removal of double poles shall be in accordance with the new or existing NHEC / FairPoint IOP, as amended.

The party with the maintenance responsibility shall: (i) coordinate the scheduling of meetings; (ii) obtain easements and/or licenses that are sufficient for both parties; (iii) coordinate tree trimming; (iv) coordinate and be responsible for pole setting in accordance with NHEC /

FairPoint IOPs, as amended; and (v) take all other necessary actions concerning pole replacements.

6. Transfer of Facilities; Double Poles

The Party with maintenance area responsibility shall notify attaching parties of the need to transfer facilities, and each party shall affect such transfers. The Parties agree to develop an IOP to address the transfer of facilities and double poles by the end of the six-month transition period. With respect to the anticipated backlog of approximately 1,200 double poles, NHEC and FairPoint shall work cooperatively and expeditiously to develop a plan to eliminate such backlog within a maximum of 36 months following the six-month transition period. Such plan and a schedule for the removal of the double poles in NHEC's service territory shall be developed by NHEC and FairPoint by the end of the six month transition period. The Parties shall provide each other with quarterly progress updates concerning the removal of double poles for which each Party has responsibility.

7. New Pole Sets

The Joint Coordinators shall each work cooperatively on the scheduling of new residential pole sets. NHEC and FairPoint agree to work together to develop an improved "Exchange Of Notice" (EON) process that shall include an electronic notification process. The EON process shall include a notification timeframe in which FairPoint notifies NHEC of its non-desire to participate in the joint use of the new poles. In this case, the ownership, installation and maintenance of the poles shall be entirely the responsibility of NHEC without regard to maintenance area. NHEC and FairPoint shall schedule joint-use pole sets to be accomplished, on average, not later than 15 days for small jobs (not more than 3 pole sets), or 30 days for large jobs (excluding developments, *i.e.*, residential subdivisions consisting of two or more lots) after the date the customer has requested the install to be completed and all necessary property rights and governmental permits have been obtained. The party performing the pole set shall also perform the construction trimming necessary to adhere to the standards and specifications of all attaching parties according to the new or existing NHEC / FairPoint IOP, as amended. The Joint Coordinators shall review their respective line extension policies to determine if there are any inconsistencies and, if so, determine if it would be beneficial to making them more consistent.

8. Standards

All practices under the Joint Pole Arrangements shall be conducted in accordance with the requirements of the National Electrical Safety Code, additional applicable Federal, State, and local regulatory requirements, and the policies and standards of both NHEC and FairPoint.

9. Negotiation of Joint Use Arrangements

NHEC and FairPoint agree to negotiate in good faith to arrive at new or amended Joint Use Arrangements which conform to the terms set forth in this Agreement. Such Joint Use Arrangements shall also substantively include the terms set forth in: (i) the Second Amendment to the General Agreement Joint Use of Wood Poles attached hereto as Attachment 1 and (ii)

Vegetation Management Inter-Company Operating Procedure No. 8 attached hereto as Attachment 2. Such negotiations shall begin and conclude within the time periods set forth in Paragraph 2 hereof. Failure to agree on all terms of the new Joint Use Arrangements shall neither prevent the parties from proceeding with all other jointly agreed procedures nor prevent the parties from abiding by the terms of this Agreement. Any disagreements shall be resolved in accordance with Paragraph 10.

10. Resolution of Disputes

NHEC and FairPoint agree that all disputes not resolved at the senior management level, as described in Paragraph 1 of this Agreement, shall be resolved as follows:

If the parties are unable to resolve the dispute at the senior management level within ten (10) days of the referral of the dispute, then the parties may, by mutual agreement, submit the matter to arbitration on the written request of a party specifying the issue or issues in dispute and summarizing the party's claim with respect thereto. Within ten (10) days after receipt of such a request, authorized representatives of the parties shall confer and attempt to agree upon appointment of a single arbitrator. If such agreement is not accomplished, either Party may request the American Arbitration Association to appoint an arbitrator in accordance with its Commercial Arbitration Rules, which rules shall govern the conduct of the arbitration in the absence of contrary agreement by the Parties. The arbitrator shall conduct a hearing in Concord, New Hampshire, referring to New Hampshire law, and within thirty (30) days thereafter, unless such time is extended by agreement, shall notify the Parties in writing of the decision stating separately findings of fact and determinations of law. The arbitrator shall not have the power to add to or amend this Agreement. Subject to such limitation, the decision of the arbitrator shall be final and binding except that either Party may petition a court of competent jurisdiction for review of errors of law. The decision of the arbitrator shall determine and specify how the expenses of the arbitration shall be allocated.

If the dispute is not submitted to arbitration, the parties shall have all of their respective rights at law and in equity to resolve the matter before a court having jurisdiction in the State of New Hampshire. If the dispute is not submitted to arbitration then the Parties acknowledge and agree that the remedies available at law would be inadequate, and that the non-breaching party shall therefore be entitled to equitable relief enforcing the terms of this Agreement.

11. Governing Law

The rights and obligations arising from this Agreement shall be governed by the laws of the State of New Hampshire.

12. Entire Agreement

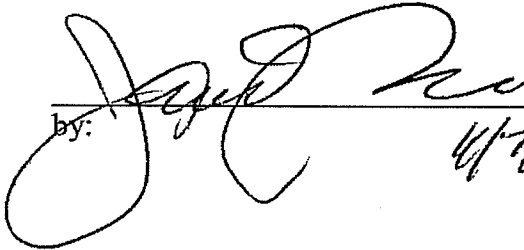
This Agreement constitutes the entire agreement among the Parties hereto relating to the subject matter hereof, and all previous agreements, discussions, communications, and correspondence with respect to the subject matter hereof shall be superseded by the execution of

this Agreement. This Agreement shall not be modified or amended except in writing signed by or on behalf of both of the parties hereto.

IN WITNESS WHEREOF, the New Hampshire Electric Cooperative, Inc. and FairPoint Communications, Inc. have caused this Agreement to be executed by them or by their respective duly authorized officers as of the date and year first above written.

[Signature page follows]

NEW HAMPSHIRE ELECTRIC
COOPERATIVE, INC.

by:  4/2/07

FAIRPOINT COMMUNICATIONS, INC.

by: 