

**THE STATE OF NEW HAMPSHIRE**  
**BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

Docket No. DT 07-\_\_\_\_\_

**Verizon**  
**New England Inc., Bell Atlantic Communications, Inc.,**  
**NYNEX Long Distance Company,**  
**Verizon Select Services Inc.**

and

**FairPoint Communications, Inc.,**

**JOINT APPLICATION FOR APPROVAL OF THE TRANSFER OF CERTAIN**  
**ASSETS BY VERIZON NEW ENGLAND INC., BELL ATLANTIC**  
**COMMUNICATIONS, INC., NYNEX LONG DISTANCE COMPANY AND**  
**VERIZON SELECT SERVICES INC. AND ASSOCIATED TRANSACTIONS**

**I. Introduction and Requested Approvals**

Verizon New England Inc. (“Verizon New England”), Bell Atlantic Communications, Inc. (“BACI”), NYNEX Long Distance Company (“NYNEX Long Distance”), and Verizon Select Services Inc. (“VSSI”) (collectively “Verizon”) and FairPoint Communications, Inc. (“FairPoint”, and together with Verizon, the “Joint Applicants”) hereby apply to the New Hampshire Public Utilities Commission (the “Commission”) for authority regarding the transfer of Verizon’s local exchange and long distance businesses in New Hampshire to companies to be controlled by FairPoint and for such other approvals as may be necessary to complete the transactions described herein.

As described below, the transactions that are the subject of this petition are designed to establish a separate entity as the holding company for Verizon’s local exchange, long distance and related business activities in Maine, New Hampshire and Vermont, distribute the stock of that new entity to stockholders (the “Spin-off”), and immediately merge the new entity with and into FairPoint (the “Merger”).

The proposed transfer of Verizon’s business in New Hampshire to companies to be controlled by FairPoint will result in no net harm and will promote the public good. The transaction will have no adverse effect on the services provided to customers in New Hampshire, who will continue to receive the services currently provided by Verizon on the same terms. No existing retail service will be discontinued or interrupted, nor will any rates change, as a result of the proposed transaction. As stated below, FairPoint anticipates that existing wholesale arrangements will remain largely the same as a result of this transaction. Moreover, FairPoint proposes to assume all of the rights and obligations of Verizon in New Hampshire. Customers will benefit because FairPoint’s

experience and success in providing telecommunications services in rural and small urban areas will enable it to respond effectively to the current and future needs of New Hampshire customers. In addition, FairPoint plans to significantly increase broadband penetration in New Hampshire and strengthen the local operational presence related to the services currently provided by Verizon through the creation of new local service centers within the three-state region within a year after the transaction closes. FairPoint will retain Verizon's existing employees who provide services in Maine, New Hampshire and Vermont, thereby ensuring a skilled workforce. It will honor all current collective bargaining agreements with Verizon's union employees and offer employees benefits comparable to those they currently enjoy. In addition, subsequent to the Merger, FairPoint expects to add some six hundred positions to provide service across the three states. In short, the transaction will not adversely affect customers and creates an opportunity for further investment in New Hampshire, as well as Maine and Vermont, giving a boost to the local economy in both investment and jobs, and improving service to customers. The Commission should accordingly approve this petition.

The Joint Applicants hereby seek all approvals and authorizations from the Commission as may be needed to complete the transaction described herein, including:

(1) the transfer of Verizon New England's 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");

(2) the transfer of certain assets of BACI, NYNEX Long Distance and VSSI related to their intrastate interexchange telecommunications business and customer

accounts to Enhanced Communications of Northern New England Inc. (“Newco”), pursuant to RSA 374:30;

(3) the authorization of 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 New England, pursuant to RSA 374:26, following the Merger;

(4) the authorization of Newco to provide intrastate toll services within the State of New Hampshire, pursuant to RSA 374:26, following the Merger;

(5) the authorization of Verizon New England to discontinue service as a public utility in New Hampshire, pursuant to RSA 374:28, following the Merger; and

(6) the designation of Telco as an eligible telecommunications carrier (“ETC”) for those New Hampshire service areas for which Verizon New England has previously been designated an ETC pursuant to 47 U.S.C. § 254(e) and § 214(e)(2) and to allow Verizon New England to relinquish its designation as an ETC pursuant to 47 U.S.C. § 254(e)(4) and 47 C.F.R. § 54.205, following the Merger.

## **II. Corporate Structure**

Verizon New England is a corporation organized under the laws of the State of New York. BACI, NYNEX Long Distance and VSSI are corporations organized under the laws of the State of Delaware. FairPoint is a corporation organized under the laws of the State of Delaware.

As described more fully below, Northern New England Spinco Inc. (“Spinco”), a newly formed holding company created for this transaction, is a direct, wholly-owned subsidiary of Verizon Communications Inc. (“Verizon Communications”). Newco is a direct, wholly-owned subsidiary of Spinco. Telco is a direct, wholly-owned subsidiary of

Verizon New England. Telco, Newco and Spinco are all organized under the laws of the State of Delaware.

FairPoint is a publicly-traded company. As of September 30, 2006, two U.S.-based investment firms each owned 10 percent or more of its equity. Thomas H. Lee Equity Fund IV, L.P., a Delaware limited partnership with its principal office located at 100 Federal Street, 35<sup>th</sup> Floor, Boston, Massachusetts 02110, and its affiliates, own 11.58 percent of the equity in FairPoint. Wellington Management Company, L.L.P., a Massachusetts limited liability partnership with its principal office located at 75 State Street, Boston, Massachusetts 02109, and its affiliates, own 10.82 percent of the equity in FairPoint. Following the consummation of the proposed transaction, no entity is expected to own 10 percent or more of the equity of FairPoint.

FairPoint has its principal office located at 521 E. Morehead Street, Suite 250, Charlotte, North Carolina 28202. FairPoint's subsidiary, Northland Telephone Company of Maine, Inc. d/b/a FairPoint Communications, provides service to the New Hampshire exchanges of East Conway and Chatham. Other subsidiaries of FairPoint currently provide telecommunications services in Maine and Vermont.<sup>1</sup>

### **III. Description of Proposed Transaction**

On January 15, 2007, FairPoint entered into an Agreement and Plan of Merger (the "Merger Agreement," attached (without attachments) as **Exhibit 1**) with Spinco and Verizon Communications. The proposed transaction consists of two distinct but immediately sequential parts. First, the following steps will be taken together:

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<sup>1</sup> FairPoint's Maine subsidiaries are: Northland Telephone Company of Maine, Inc., Sidney Telephone Company, Standish Telephone Company, China Telephone Company, Maine Telephone Company and Community Service Telephone Co. FairPoint's Vermont subsidiary is FairPoint Vermont, Inc.

- (i) Verizon New England will transfer its assets, liabilities and customer relationships relating to its local exchange, intrastate toll and exchange access operations in Vermont, New Hampshire and Maine to Telco, a subsidiary of Verizon New England;<sup>2</sup>
- (ii) NYNEX Long Distance, BACI, and VSSI will transfer their accounts receivable, liabilities and customer relationships relating to their long-distance operations in Maine, New Hampshire and Vermont to Newco, a direct, wholly-owned subsidiary of Spinco, through a series of intermediate transfers;<sup>3</sup>
- (iii) Verizon New England will transfer the stock in Telco to Spinco through a series of intermediate transfers, such that Telco will become a direct, wholly-owned subsidiary of Spinco;<sup>4</sup> and

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<sup>2</sup> The assets and businesses to be transferred to Telco (as well as assets and businesses that are not being transferred) are more fully described in a Distribution Agreement between Verizon Communications and Spinco dated January 15, 2007, attached hereto (without attachments) as **Exhibit 2**. The Distribution Agreement and the Merger Agreement refer to Telco as “ILEC Spinco Subsidiary” and Newco as “Non-ILEC Spinco Subsidiary.”

<sup>3</sup> In addition, Verizon Internet Services Inc., d/b/a Verizon On-Line (“VOL”) will transfer its customer relationships relating to interstate information services in New Hampshire to Newco. Those services and the transfer, however, are not regulated by the Commission. The assets and businesses to be transferred to Newco (and those that are not to be transferred) are also more fully described in the Distribution Agreement.

<sup>4</sup> Pursuant to the Merger Agreement and the Distribution Agreement, the transaction may be accomplished by having Verizon New England create a new Spinco as a direct subsidiary of it, rather than of Verizon Communications, and that new company would ultimately merge with FairPoint. In that event, (i) Verizon New England would transfer the assets, liabilities, and customer relationships at issue to Telco, which would be established as a Delaware limited liability company rather than as a Delaware corporation, (ii) Verizon New England would transfer its membership interest in Telco directly to Spinco, and (iii) Verizon New England would then transfer the stock of Spinco, through an intermediate step, to Verizon Communications. Under either alternative, Telco will be a wholly-owned subsidiary of Spinco, and Spinco will be a wholly-owned subsidiary of Verizon Communications just prior to the distribution of the Spinco stock to the Verizon Communications shareholders.

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

Immediately following the distribution of the Spinco stock described in step (iv) above, Spinco will be merged with and into FairPoint. FairPoint will be the surviving company (under its existing name), and will own all of the stock of Telco and Newco. As of the closing, the shareholders of Verizon Communications will own approximately 60% of FairPoint, and the shareholders of FairPoint will own approximately 40% of FairPoint. Current FairPoint management will manage and control day-to-day operations of FairPoint following consummation of the proposed transaction. Verizon Communications will designate up to six of the nine initial directors of FairPoint upon completion of the Merger. None of Verizon Communications' nominees may be employees of Verizon Communications, its affiliates or Cellco Partnership, d/b/a Verizon Wireless ("Verizon Wireless") or any of the Verizon Wireless subsidiaries. A corporate organizational chart depicting the transactions is attached as **Exhibit 3** and a more detailed description of the transaction is attached as **Exhibit 4**.

Upon consummation of the transaction, Telco and Newco will own and conduct telephone public utility businesses subject to the jurisdiction of the Commission. Current customers of Verizon New England will become customers of Telco and current customers of BACI, NYNEX Long Distance and VSSI will become customers of Newco.

Additionally, upon consummation of the transaction, Verizon New England, NYNEX Long Distance and BACI will no longer have any business in New Hampshire.

VSSI will continue to have and do business in New Hampshire. There are no non-compete agreements as part of this transaction, however, and NYNEX Long Distance, BACI and VSSI are not seeking to terminate their authority to operate within the state. As stated above, in this petition Verizon New England seeks authorization to discontinue service. As provided in the Distribution Agreement, other affiliates of Verizon New England that are not part of the transaction will continue to operate their businesses in the state, including Verizon Wireless, Verizon Business Global, LLC and the successors to the former MCI companies. The transaction, including all asset transfers from the Verizon companies to the Spinco subsidiaries and the Merger with and into FairPoint, will be transparent to current customers of Verizon in New Hampshire. Telco and Newco will file new tariff pages appropriate to accomplish the adoption of the rates, terms and conditions in the tariffs under which the Verizon companies have been providing regulated telecommunications services in New Hampshire, and customers will continue receiving the same services as they were receiving before the Merger. In addition, FairPoint will assume the contracts and customer relationships under which the Verizon companies provided services in the state to their retail customers and assume Verizon's wholesale service obligations, including contracts, to New Hampshire wholesale customers and to other carriers to the extent applicable.

**IV. Statutory Provisions and Legal Precedent For Authorizations and Relief Sought**

The Joint Applicants respectfully request that the Commission approve the proposed transaction pursuant to its authority under, *inter alia*, RSA 374:26, 374:30, and



374:28, all of which require a “public good” determination.<sup>5</sup>

In deciding whether to permit an applicant such as FairPoint to commence operations, the Commission bases its public good determination under RSA 374:26 on an assessment of the applicant’s managerial, technical and financial capability. *See Hampstead Area Water Company, Inc.*, DW 05-092, Order No. 24, 592 at p. 4 (Feb. 24, 2006). When evaluating requests to transfer utility assets pursuant to RSA 374:30, the Commission has historically applied a “no net harm” standard. *See Re New England Power Company*, DR 97-251, 83 NH PUC 392, 397 (1998).

FairPoint, Telco, Newco and a Verizon affiliate have entered into a Transition Services Agreement, attached hereto<sup>6</sup> as Exhibit 5. To the extent that the Transition Services Agreement constitutes a management or service contract within the meaning of

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<sup>5</sup> The Joint Applicants respectfully assert that the provisions of RSA 369:8, II (a) and (b) regarding parent company mergers, restructurings or financings do not apply here. Unlike the transactions subject to RSA 369:8, this arrangement involves the transfer by Verizon New England of assets, liabilities and customer relationships relating to its regulated local exchange and intrastate toll operations in New Hampshire to Telco, as well as the transfer by other Verizon Communications subsidiaries of long distance customer relationships to Newco. In any event, even if RSA 369:8 were applicable, because the proposed transaction directly involves the transfer of the assets and customers of the state’s largest incumbent local exchange carrier, the Joint Applicants understand that the Commission will likely wish to undertake a more in-depth review of the transaction than what is contemplated in RSA 369:8, II. Therefore, they do not seek approval under that statute. The Joint Applicants also aver that the transaction does not trigger the provisions of RSA 374:33 relating to the acquisition of a public utility’s stock by another public utility. However, in the event the Commission determines otherwise, the public interest standard of RSA 374:33 nonetheless translates into a “no net harm” test. *See Re National Grid Group, PLC*, DE – 00-287, 86 NH PUC 95, 98 (Feb. 20, 2001). This “no net harm test” requires that the Commission must approve “a proposed transaction if the public interest is not adversely affected” after the balancing of relevant factors. *Re New England Electric System*, DE 99-035, 84 NH PUC 502, 510 citing *Re CCI Telecommunications of N.H., Inc.*, 81 NH PUC 844, 845 (1996). No public utility securities are being issued that would require approval under RSA 369:1-4. To the extent that the Commission determines that any such securities are being issued, however, the Joint Applicants aver that the issuance thereof is consistent with the public good and respectfully request approval of the same. Moreover, to the extent the Commission determines that other approvals are necessary, the Joint Applicants request that the Commission issue an order granting any and all approvals and authorizations required in connection with or as a result of the transactions described in this petition.

<sup>6</sup> The Joint Applicants are submitting the attachments to the Transition Services Agreement, to the Commission only, as confidential information pursuant to RSA 378:43 and Puc 201.04(5).

the provisions of RSA 366:2(c), this filing is made in accordance with RSA 366:3. In addition, the Commission is authorized to permit Verizon New England to discontinue service permanently whenever it shall appear, as here, that the public good does not require the further continuance of such service after the transfer of assets from Verizon New England to companies to be controlled by FairPoint is completed. RSA 374:28.

Verizon, Telco and Newco will comply with the applicable Commission rules with regard to the prevention of “slamming” in accordance with RSA 374:28-a.

Based on the information set forth below, the Joint Applicants submit that all of the foregoing standards have been met by this Joint Application.

**V. The Transaction Will Result in No Net Harm And Will Be For the Public Good**

The proposed transaction will result in no net harm to Verizon’s customers in New Hampshire or to FairPoint’s existing New Hampshire customers. It will have no adverse effect on the rates, terms, service or operations provided to those customers. Verizon’s current New Hampshire customers will continue to receive the services currently provided by Verizon on the same rates, terms and conditions. No existing Verizon retail service will be discontinued or interrupted as a result of the proposed transaction. In addition, FairPoint will not seek to recover through rates the transaction costs or any acquisition premium associated with this transaction.

The proposed transaction will provide benefits to customers without any countervailing harms. The Federal Communications Commission (“FCC”) has observed that asset sales by which smaller carriers acquire local exchanges from larger incumbent carriers generally “d[o] not raise public interest issues” and “are unlikely to raise the

potential of competitive harm.”<sup>7</sup> The transaction proposed in this application is no exception.

FairPoint is a leading and respected provider of telecommunications services to rural and small urban areas across the country with a particular emphasis on the provision of broadband services.<sup>8</sup> FairPoint currently owns and operates 31 local exchange companies, through which it serves approximately 308,000 access line equivalents in 18 states (as of September 30, 2006) including Maine, New Hampshire and Vermont, and has long-term experience in the telecommunications industry.<sup>9</sup> FairPoint combines a strong knowledge of consumers’ needs with substantial experience in meeting them, enabling it to operate efficiently and to provide high-quality services, including innovative broadband services, to rural and small urban areas.

From a financial perspective, the combined company will benefit from a strong capital position. Over \$1 billion in new equity will be issued in the form of FairPoint common stock to help finance the Merger, which will allow FairPoint to lower its leverage as measured as a multiple of EBITDA. This will in turn provide for significant financial flexibility for ongoing capital investment and the introduction of innovative services. FairPoint expects that the resulting company will have additional free cash flow and will have substantially greater access to capital markets by virtue of its size and market capitalization.

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<sup>7</sup> *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd 5517 ¶ 33 (2002).

<sup>8</sup> FairPoint’s current broadband service is available, on average, to approximately 88 percent of access lines served by FairPoint’s local exchange networks.

<sup>9</sup> FairPoint has been acquiring telecommunications companies since 1993. Many of the companies it has acquired have been in operation for more than 75 years.

FairPoint will increase broadband availability significantly in the three-state region within 12 months after the completion of the Merger. FairPoint will bring increased operational focus to the region and will invest in infrastructure in the three states, which will allow FairPoint to be a responsive provider of telecommunications services. In addition, FairPoint will not raise customer rates as a result of this transaction.

FairPoint will have a substantial local management presence in Northern New England. Its operating plan and organizational structure call for local management to have significant decision-making authority. This means that policymakers and customers will have the focus of executives and high-level decision makers within the company.

FairPoint has acquired and integrated the operations of over 30 telecommunications companies over the last thirteen years and is an experienced operator of telecommunications companies across the country. FairPoint and Verizon are taking a number of actions to ensure the continuity of service and management through and after the transaction. First, as noted above, FairPoint, Telco, Newco and a Verizon affiliate have entered into the Transition Services Agreement, pursuant to which the Verizon affiliate will provide back office services during a transition period following the Merger. Second, the parties have agreed that approximately 3,000 employees of Verizon whose primary jobs at the close of the transaction would be to support the local phone business will continue employment with FairPoint after the Merger. Accordingly, it will be consistent with the public interest to permit Verizon New England to discontinue its service obligations as presently performed, and the Transition Services Agreement will make the transition to Telco and Newco seamless to existing customers.

FairPoint has also retained Capgemini U.S. LLC to aid in transition and cutover planning and the final development and integration of FairPoint's back office systems. This will support FairPoint's efforts to ensure the continued delivery of high quality service to retail and wholesale customers. Capgemini is a \$9 billion global leader in providing consulting, technology and outsourcing solutions to businesses and governments, with almost 25% of its revenue coming from North America. Capgemini has substantial experience in the telecommunications industry (approximately \$1 billion in worldwide revenues in 2005), providing systems integration services to most of the largest telecommunications providers in the United States and Europe.

The proposed transaction also offers benefits to Northern New England by virtue of FairPoint's plans to create over 600 new positions in the region; increase broadband availability within the first year after completion of the transaction; and increase local operational presence and establish three new local service centers within Northern New England (a Network Operations Center, an Information Systems Center and an Administrative Center); and deliver industry-leading customer service focused on the particular needs of Northern New England.

FairPoint is committed to maintaining jobs, working with the unions in a collaborative fashion, and continuing to honor Verizon's existing collective bargaining agreements. Verizon will continue to provide retirement benefits for its former, retired employees.

FairPoint anticipates that existing wholesale arrangements will remain largely the same as a result of this transaction. For example, Telco will assume those interconnection agreements between Verizon New England and other carriers that relate

to service wholly within Vermont, New Hampshire and Maine. Interconnection agreements of Verizon New England relating in part to service outside of those states will need to be modified to apply to Telco and the other party in Vermont, New Hampshire and/or Maine only, or those agreements will be replicated by Telco with respect to one or more of the three states, following discussion with and required notice to the affected parties and state commissions, as appropriate. In the latter cases, however, FairPoint stands ready to put in place new interconnection agreements on substantially the same terms and conditions, so as not to disrupt existing arrangements.

Telco will adopt Verizon New England's intrastate access tariffs and rates and assume Verizon New England's other wholesale tariff obligations in effect as of the time of the closing.

Lastly, FairPoint is committed to maintaining a strong and constructive relationship with regulators in the region to ensure that it meets its regulatory responsibilities as well as the needs of its customers.

The foregoing information demonstrates that FairPoint possesses the requisite financial, technical and managerial capability to own and operate regulated telecommunications utilities such as Telco and Newco.

The Joint Applicants intend to submit testimony and other supporting materials once a procedural schedule is adopted in this proceeding.

## **VI. Conclusion**

Joint Applicants respectfully request that this Commission:

a. Make a finding that the respective transfers of assets by the Verizon companies to Telco and Newco as described hereinabove will result in no net harm and

will be for the public good and issue an order authorizing the same pursuant to RSA 374:30;

b. Make a finding that the commencement of business by Telco and Newco as public utilities and the exercise by Telco and Newco of the respective rights, privileges and franchises of the Verizon companies as hereinabove described will be for the public good and issue an order granting permission for the same pursuant to RSA 374:26;

c. Make a finding that, following the Merger, the public good does not require the further continuance of service by Verizon New England as a public utility in New Hampshire and issue an order authorizing Verizon New England to discontinue such service pursuant to RSA 374:28;

d. Designate Telco as an eligible telecommunications carrier pursuant to 47 U.S.C. § 254(e) and § 214(e)(2) for those New Hampshire service areas for which Verizon New England has previously been designated an ETC and allow Verizon New England to relinquish its designation as an ETC pursuant to 47 U.S.C. § 254(e)(4) and 47 C.F.R. § 54.205, after the Merger.

e. Make such other and further findings and grant such other and further relief as this Commission may deem necessary and appropriate to effectuate the Joint Applicants' Merger Agreement and related transactions.

Respectfully submitted,

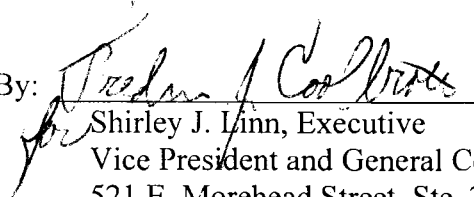
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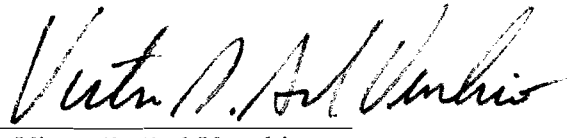
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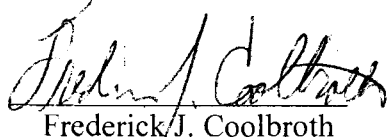
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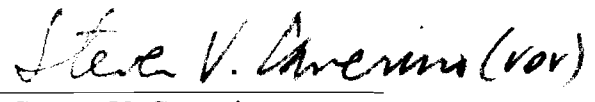
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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of this Joint Application has been hand delivered to the Office of Consumer Advocate on this 31<sup>st</sup> day of January, 2007.

  
\_\_\_\_\_  
Frederick J. Coolbroth, Esq.

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

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## AGREEMENT AND PLAN OF MERGER

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

## ARTICLE I

### DEFINITIONS

- 1.1 “2006 Financial Statements” has the meaning set forth in Section 7.18(a).
- 1.2 “Action” has the meaning set forth in Section 7.12(c).
- 1.3 “Additional Company SEC Documents” has the meaning set forth in Section 6.4(b).
- 1.4 “Affiliate” means a Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person. The term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.72 “FCC” means the Federal Communications Commission.

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.97 [Intentionally omitted.]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ARTICLE II

### THE MERGER

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

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

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

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

2.5 Certificate of Incorporation and Bylaws of the Surviving Corporation.

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

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

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

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

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

### ARTICLE III

#### CONVERSION OF SHARES; EXCHANGE OF CERTIFICATES

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

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

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

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

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

### 3.2 Distribution of Per Share Merger Consideration.

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

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

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



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

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

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

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

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

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

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

### 3.3 Fractional Shares.

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

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

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

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

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF VERIZON

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

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

4.2 Corporate Authority; No Violation.

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

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

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

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

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

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

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF VERIZON AND SPINCO

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

#### 5.1 Organization, Qualification.

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

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

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

## 5.2 Capital Stock and Other Matters.

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

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

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

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

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

## 5.3 Corporate Authority; No Violation.

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

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

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

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

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

#### 5.4 Financial Statements.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 5.11 Tax Matters.

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

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

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

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

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

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

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

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

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

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

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

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

#### 5.12 Benefit Plans.

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

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

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

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

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

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

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

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

#### 5.14 Intellectual Property.

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

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

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



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

#### 5.15 Material Contracts.

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

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

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

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

#### 5.17 Sufficiency of Assets.

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

(b) Subject to the immediately following sentence, the assets of Spinco and the Spinco Subsidiaries as at the Closing Date (assuming the consummation of the Contribution) and the services to be provided pursuant to the Transition Services Agreement will be sufficient to permit the Surviving Corporation and its Subsidiaries to carry on the functional operation of the incumbent local exchange carrier portion of the Spinco Business in the Territory (consisting of local exchange service, intraLATA toll service, network access service, enhanced voice and data services, DSL services and wholesale services) immediately following the Effective Time (x) in all material respects, in compliance with Law and (y) in a manner consistent with the operation of such portions of the Spinco Business immediately prior to the Effective Time. Notwithstanding the foregoing, it is understood and agreed that: (i) the Company and the Surviving Corporation are not being assigned the Excluded Contracts and those assets and services listed or described in Section 5.17(b) of the Spinco Disclosure Letter, which assets and services are necessary for the conduct of such portion of the Spinco Business, (ii) the administrative and regional headquarters management employees currently operating or advising the Spinco Business will not be transferred to Spinco and the Spinco Subsidiaries and the immediately preceding sentence assumes that the Surviving Corporation will provide such equivalent personnel as may be appropriate for the benefit of the Spinco Business, (iii) the immediately preceding sentence assumes that Surviving Corporation will take all of the Transition Services offered by Verizon's Affiliates under the Transition Services Agreement, (iv) without limiting Section 5.14, the immediately preceding sentence does not purport to address the existence or sufficiency of any rights

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

#### 5.18 Spinco Real Property.

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

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

5.19 Communications Regulatory Matters.

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

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

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

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

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

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

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES OF THE COMPANY

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

#### 6.1 Organization; Qualification.

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

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

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

## 6.2 Capital Stock and Other Matters.

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

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

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

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

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

### 6.3 Corporate Authority; No Violation.

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

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

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

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

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

#### 6.4 Company Reports and Financial Statements.

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 6.11 Tax Matters.

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

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

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

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

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

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

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

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

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

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

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

#### 6.12 Benefit Plans.

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

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

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

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

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

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

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

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

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

6.14 Intellectual Property.

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



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

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

#### 6.15 Communications Regulatory Matters.

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

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

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

#### 6.16 Material Contracts.

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

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

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

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

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

#### 6.17 Company Real Property.

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

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

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

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

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

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

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

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

## ARTICLE VII

### COVENANTS AND AGREEMENTS

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

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

with the dividend payment practices of the Company in 2006 (including a final partial regular quarterly dividend to the extent permitted pursuant to the Company Credit Agreement and paid from existing funds or existing borrowing capacity, to be declared and paid to pre-Closing Company stockholders, pro rated for the number of days elapsed between (x) the beginning of the quarterly period in which the Effective Time occurs and (y) the day immediately preceding the Effective Time); (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock; or (iii) redeem, repurchase or otherwise acquire, or permit any Subsidiary to redeem, repurchase or otherwise acquire, any shares of its capital stock (including any securities convertible or exchangeable into such capital stock), except pursuant to the terms of the securities outstanding on the date hereof or pursuant to the existing terms of a Company Benefit Plan;

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

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

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

acquisition of equity or assets that constitute a business unit, division or all or substantially all of the assets of the transferor;

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

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

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

Verizon (such approval not to be unreasonably withheld or delayed), provided that this Section 7.1(g) shall not permit any action otherwise prohibited by Section 7.1(d);

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

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

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

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

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



(m) except in the ordinary course of business, consistent with past practice, or as required by law, modify, amend, terminate, renew or fail to use commercially reasonable efforts to renew any Company Material Contract to which the Company or any of the Company Subsidiaries is a party or waive, release or assign any material rights or claims thereunder or enter into any Company Material Contract not in the ordinary course of business consistent with past practice;

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

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

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

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

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

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

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

(c) acquire or agree to acquire by merger or consolidation, or by purchasing a substantial or controlling equity interest in or the assets of, or by any

other manner, any business or any corporation, partnership, limited liability entity, joint venture, association or other business organization or division thereof or otherwise acquire or agree to acquire any material assets (excluding the acquisition of equipment and other assets used in the operations of the Spinco Business in the ordinary course consistent with past practice), but in all cases excluding any acquisition of equity or assets that constitute a business unit, division or all or substantially all of the assets of the transferor;

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

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

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

provided that this Section 7.2(f) shall not permit any action otherwise prohibited by Section 7.2(c);

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

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

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

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

(k) except as would not be expected to materially and adversely affect Spinco or any of its Subsidiaries or the Spinco Business, or the Surviving Corporation on a going-forward basis after the Effective Time, (i) make or rescind

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

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

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

(n) except in the ordinary course of business consistent with past practice, or as required by Law, modify, amend, terminate, renew or fail to use commercially reasonable efforts to renew any Spinco Material Contract or waive, release or assign any material rights or claims thereunder or enter into any Spinco

Material Contract not in the ordinary course of business consistent with past practice;

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

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

7.3 Proxy Statement/Prospectus; Registration Statements.

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

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

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

(d) The Company shall provide Verizon with a reasonable opportunity to review and comment on any amendment or supplement to the Proxy Statement/Prospectus or Company Registration Statement prior to filing the same with the SEC, and with a copy of all such filings made with the SEC. No amendment or supplement to the Proxy Statement/Prospectus or the Company Registration Statement will be made by the Company without the approval of Verizon (such approval not to be unreasonably withheld, conditioned or delayed). The Company will advise Verizon promptly after it receives notice thereof, of the time when the Company Registration

Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order, of the suspension of the qualification of the Company Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or of any request by the SEC for amendment of the Proxy Statement/Prospectus or the Company Registration Statement or comments thereon and responses thereto or requests by the SEC for additional information.

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

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

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

(h) Verizon and Spinco agree to promptly provide the Company with the information concerning Verizon, Spinco and their respective Affiliates required to be included in the Proxy Statement/Prospectus and the Company Registration Statement. In furtherance of the foregoing, Verizon and Spinco shall use all commercially reasonable efforts to, or shall use all commercially reasonable efforts to cause its representatives to, furnish as promptly as practicable to the Company such additional financial and operating

data and other information as to the Spinco Business as the Company may require to complete the Proxy Statement/Prospectus and the Company Registration Statement in accordance with the Exchange Act (including any financial statements required to be included therein).

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

#### 7.4 Stockholders Meeting.

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

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



7.5 Efforts to Close. Subject to the terms and conditions of the applicable Transaction Agreement, each of the parties hereto agrees to use commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective in accordance with the terms of the Transaction Agreements the transactions contemplated by the Transaction Agreements, including executing such documents, instruments or conveyances of any kind that may be reasonably necessary or advisable on the terms set forth herein to carry out any of the transactions contemplated by the Transaction Agreements; provided, that such additional documents, instruments and conveyances shall not (w) provide for additional representations or warranties, (x) impose additional obligations or liabilities on any party, (y) delay the consummation of the transactions contemplated by this Agreement or (z) be inconsistent with the express terms of any Transaction Agreement.

7.6 Regulatory Matters.

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

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

applicable regulatory filing pursuant to Section 7.6(c)(iii) (such filings, the “Other PUC Applications”).

(c) Subject to the terms and conditions herein provided and without limiting the foregoing, each of Verizon, Spinco and the Company shall (i) within 120 days after the date hereof make their respective filings and thereafter make any other required submissions under the HSR Act, (ii) promptly (but in no event later than 30 days after the date hereof) file all applications requiring prior approval or other submissions required to be filed with (x) the FCC (the “FCC Applications”), except those submissions addressed in paragraphs 7.6(e), (f) and (g), below, which shall be made as set forth in those paragraphs, and except those applications that may be filed with the FCC for “immediate approval” under 47 C.F.R. Section 1.948(j)(2) or for approval that permits operation upon application under 47 C.F.R. Section 90.159(c), and (y) State Regulators in the states of Maine, Vermont and New Hampshire (the “Territory PUC Applications”), to effect the transfer of control of the Spinco Business, any federal and state approvals in the states of Maine, Vermont and New Hampshire pertaining to asset transfers or changes in control, and to cause such authorities to permit consummation of each of the transactions contemplated hereby or by the Distribution Agreement and respond as promptly as practicable to any additional requests for information received from the FCC or any State Regulator by any party to a FCC Application or a Territory PUC Application, (iii) as promptly as practicable after the determination of the Other PUC Applications in accordance with Section 7.6(b) (but in no event later than 60 days after the date hereof), file all Other PUC Applications with the applicable State Regulators and respond as promptly as practicable to any additional requests for information received from any State Regulator by any party to an Other PUC Application (the consent of such State Regulators and the consents referred to in clause (ii) of this Section 7.6(c) the “Telecommunications Regulatory Consents”), (iv) use all commercially reasonable efforts to cure not later than the Effective Time any violations or defaults under any FCC Rules or rules of any State Regulator, (v) use all commercially reasonable efforts to cooperate with each other in (x) determining whether any filings are required to be made with, or consents, permits, authorizations or approvals are required to be obtained from any other Governmental Authorities in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (y) timely making all such filings and timely seeking all such consents, permits, authorizations or approvals, (vi) use all commercially reasonable efforts to take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective the transactions contemplated hereby all such further action as reasonably may be necessary to obtain all regulatory consents in respect of telecommunications matters and to resolve such objections, if any, as the HSR Agencies, state antitrust enforcement authorities or competition authorities of any other nation or other jurisdiction or any other Person may assert under relevant antitrust or competition laws with respect to the transactions contemplated hereby; and (vii) subject to applicable legal limitations and the instructions of any Governmental Authority, keep each other

apprised of the status of matters relating to the completion of the transactions contemplated hereby, including promptly furnishing the other with copies of notices or other communications received by the Company, Verizon or Spinco, as the case may be, or any of their respective Subsidiaries, from any third party and/or any Governmental Authority with respect to such transactions.

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

(e) If any objections are asserted with respect to the transactions contemplated hereby or the Transaction Agreements under any Regulatory Law or if any suit is instituted by any Governmental Authority or any private party recommending or seeking to deny the granting of any Telecommunications Regulatory Consent or challenging any of the transactions contemplated hereby as violative of any Regulatory Law or otherwise, each of the Company, Verizon and Spinco shall use all commercially reasonable efforts to resolve any such objections or challenge as such Governmental Authority or private party may have to such transactions under such Regulatory Law so as to permit consummation of the transactions contemplated by the Transaction Agreements. For purposes of this Agreement, "Regulatory Law" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, the Communications Act and all other federal, state or foreign, if any, statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that relate to the granting of regulatory consents in respect of telecommunications matters or are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition, whether in the communications industry or otherwise through merger or acquisition. The Company and

not Verizon will make all required filings, as may be required under applicable law, with the FCC and the State Regulators relating to transfers of customers and compliance with carrier change authorization, notification and verification rules.

(f) To the extent necessary to comply with state laws, regulations and FCC Rules including those prohibiting “slamming” as set forth in 47 C.F.R. Section 64.1120, at least 60 days prior to Closing Date as reasonably anticipated by any party, (i) the Company shall, at its own expense, prepare and deliver to Verizon a draft notice providing the information required by 47 C.F.R. Section 64.1120(e) addressed to the telecommunications customers of Spinco and the Spinco Subsidiaries, after giving effect to the Contribution, it being understood that Verizon shall have the opportunity to review and comment on the contents of such notice; and (ii) Verizon shall, at the Company’s cost and expense (which shall be a reimbursement of Verizon’s fully allocated cost), cause such notice to be delivered to such customers at least 30 days before the Closing Date as reasonably anticipated by any party by a direct mailing or in accordance with such method of notice and notification period that the FCC or State Regulators may order or require. For the avoidance of doubt, the Company and not Verizon, will be primarily responsible for making all required filings with the FCC and the State Regulators relating to transfers of customers and compliance with carrier change authorization, notification and verification rules. Verizon and/or Spinco will be responsible for preparing, distributing, and filing (at Spinco’s expense) any notices relating to “discontinuance, reduction, or impairment” of service to the customers of Spinco and the Spinco Subsidiaries after giving effect to the Contribution required by 47 C.F.R. Sections 63.19 and 63.71.

(g) At or prior to the Effective Time, the Company, at its own expense, shall adopt (to the extent permitted by State Regulators) the tariffs, price lists, schedules of rates, or other statements of terms and conditions, including, without limitation, special customer arrangements, special assemblies, price flex arrangements, and individual customer based arrangements of Verizon New England and Verizon Select Services Inc. for telecommunications services, which are applicable in whole or in part in Maine, New Hampshire, or Vermont, are effective under applicable laws and regulations, and are in effect immediately prior to the Effective Time (collectively, the “Tariffs”). The Company shall maintain the Tariffs in effect at least until the end of the service term specified in (i) the Tariffs (to the extent permitted by State Regulators), (ii) agreements implementing such Tariffs with customers served by Verizon Affiliates under retained Blended Customer Contracts identified in Section 1.1(a) of the Disclosure Letter to the Distribution Agreement and the agreements of customers who do not provide Verizon Third Party Consents under this Agreement (each a “Specified Contract”) and (iii) agreements implementing such Tariffs with Persons who are Affiliates of Verizon New England on or before the Closing Date, and any optional renewal term exercisable by customers which are party to a Specified Contract or such Affiliates in such agreements or Tariffs. The Company further agrees that, to the extent such Tariffs or agreements

implementing such Tariffs contain rates and charges or other terms and conditions based on volume of service, amount of purchase or spend, or similar volume commitments by the customers which are party to a Specified Contract or such Affiliates (the “Volume Commitments”), the Company will reduce such Volume Commitments pro-rata, without a change in rates and charges or other terms and conditions under such Tariffs or agreements, to reflect the fact that the customers which are party to a Specified Contract or such Affiliates may, after Closing, take service from Verizon New England and the Company and not from Verizon New England or the Company alone. The pro-rata reduction shall be equal to or exceed the amount of the Volume Commitment provided by Verizon New England after Closing. By way of example, and not by limitation, if after Closing, such Affiliate purchased 75% of a Volume Commitment from Company and 25% of a Volume Commitment from Verizon New England, then Company would reduce the Volume Commitment by 25% in affected Tariffs and agreements implementing such Tariffs. At its own expense, the Company shall make all filings and take all other actions as may be required by applicable laws and regulations to make the Tariffs and pro-rata reductions of Volume Commitments adopted or made by the Company under this Section 7.6(g) legally effective not later than the Effective Time. If the applicable State Regulators do not permit, in whole or in part, the adoption of such Tariffs by the Company or the maintenance of such Tariffs during the service terms described above in this Section 7.6(g), then from and after the Effective Time and through the date on which the Company would no longer have been required under this Section 7.6(g) to maintain the applicable Tariffs had such State Regulators permitted their adoption, the Company will provide service terms, rates and services equivalent to the Tariffs, including reductions in Volume Commitments, by means and methods acceptable to the applicable State Regulators.

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

7.7 Employee Matters. Throughout the internal restructurings and merger taken in contemplation of this Agreement, including the Internal Spinoffs and Internal Restructurings, the Contribution, Distribution, and the Merger, the Spinco Employees shall maintain uninterrupted continuity of employment, compensation and benefits, and, also for union-represented employees, uninterrupted continuity of representation for

purposes of collective bargaining and uninterrupted continuity of coverage under their collective bargaining agreements, in each case as contemplated by and described in the Employee Matters Agreement.

7.8 Certain Third Party Consents.

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

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

(c) Notwithstanding anything to the contrary contained herein, but subject to the obligations set forth in this Section 7.8(c), to the extent any Verizon Third Party Consent or Verizon IP Consent is required in connection with the consummation of the transactions contemplated by the Distribution Agreement or this Agreement and such

Verizon Third Party Consent or Verizon IP Consent is not received prior to the Closing, then, (i) if applicable, the Contract that is the subject of such Verizon Third Party Consent shall not be assigned in the Contribution or (ii) if applicable, to the extent any such Contract requiring a Verizon Third Party Consent may only be enjoyed by an Affiliate of Verizon, such Contract shall be transferred to another Affiliate of Verizon, and Verizon agrees to use commercially reasonable efforts to make the benefits of any such Contract available to the Surviving Corporation and its Subsidiaries for a period of one year following the Closing Date, subject to (x) the assumption of all obligations in respect of such Contract by the Surviving Corporation and the Subsidiaries, (y) the limitations on required payments set forth in Sections 7.8(a) and 7.8(b) and (z) Section 7.8(f).

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

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

(f) In the event any customer Contract that would have been assigned in the Contribution as a Spinco Asset but for the failure to obtain a Verizon Third Party Consent is not assigned or any Blended Customer Contract that would have been assumed in part by Spinco pursuant to Section 7.8(e) but for the failure of the counterparty to consent to such assumption is not assumed, then (i) to the extent such Contract involves the provision to the customer thereunder of ILEC services that are a part of the Spinco Business, Verizon shall use the Surviving Corporation and its Subsidiaries succeeding to the Spinco Business to provide such services to such customer subject to the rights, if

any, of such customer under such Contract to consent thereto and (ii) to the extent such Contract involves the provision to the customer thereunder of non-ILEC services, Verizon shall continue to provide such services to such customer in accordance with such Contract. With respect to ILEC services delivered by the Surviving Corporation and its Subsidiaries in respect of such Contracts, Verizon shall either (A) remit to the Surviving Corporation amounts received from the applicable customers in accordance with the applicable Tariff (which the Surviving Corporation shall have mirrored in accordance with Section 7.67.6(g)) or, if applicable, in accordance with the last sentence of Section 7.6(g), in each case including as to payment terms or (B) make payment to the Surviving Corporation in accordance with the terms of the applicable Transferred Affiliate Arrangement, including as to payment terms. With respect to non-ILEC services and ILEC services delivered by Verizon or its Subsidiaries under such Contracts without the assistance of the Surviving Corporation or its Subsidiaries, Verizon shall remit to the Surviving Corporation its net amounts received (after payment of third party costs and any applicable taxes) in respect of the delivery of such services to such customers, which payment shall be made by Verizon promptly after its receipt of such revenues and in any event no later than 45 days thereafter. The provisions of this Section 7.8(f) shall exclusively govern the circumstances described in the first sentence hereof, notwithstanding any other provision of this Agreement or the Distribution Agreement.

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

#### 7.9 Tax Matters.

##### (a) IRS Rulings.

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



(ii) Verizon shall provide the Company with copies of each IRS Submission as filed with the IRS promptly following the filing thereof; provided that Verizon may redact any Redactable Information from the IRS Submission. Each of Verizon, Spinco and the Company agrees to use its commercially reasonable efforts to obtain the IRS Ruling and the other rulings set forth in the Ruling Request, including providing such appropriate information and representations as the IRS shall require in connection with the Ruling Request and any IRS Submissions. Solely for the avoidance of doubt, nothing in this Section 7.9(a)(ii) shall provide grounds for Verizon, Spinco or the Company to alter any obligation or limitation imposed upon it under this Agreement.

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

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

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

7.10 Access to Information. Upon reasonable notice, each of Verizon, Spinco and the Company shall, subject to applicable Law, afford to each other and to each other’s respective officers, employees, accountants, counsel and other authorized representatives, reasonable access during normal business hours, from the date hereof through to the date which is the earlier of the Effective Time or the date on which this

Agreement is terminated pursuant to Section 9.1, to its and its Subsidiaries' officers, employees, accountants, consultants, representatives, plants, properties, Contracts (other than Excluded Contracts), commitments, books, records (including Tax Returns) and any report, schedule or other document filed or received by it pursuant to the requirements of the federal or state securities laws, and shall use all commercially reasonable efforts to cause its respective representatives to furnish promptly to the others such additional financial and operating data and other information in its possession, as to its and its Subsidiaries' respective businesses and properties as the others or their respective duly authorized representatives, as the case may be, may reasonably request, it being understood that in no event will any party be required to provide access to its accountants' work papers and, in the case of Spinco and Verizon, the foregoing obligations will be limited to information regarding the Spinco Business. The parties hereby agree that the provisions of the Confidentiality Agreement shall apply to all information and material furnished by any party or its representatives thereunder and hereunder.

#### 7.11 No Solicitation by the Company.

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

(b) Nothing contained in this Agreement shall prevent the Company or the Company's Board of Directors from, prior to the adoption of this Agreement by the holders of Company Common Stock, engaging in any discussions or negotiations with, or providing any non-public information to, any Person, if and only to the extent that (i) the Company receives from such Person an unsolicited bona fide Company Superior Proposal or a Company Acquisition Proposal that the Company's Board of Directors determines in good faith (after consultation with a financial advisor of nationally recognized reputation) would reasonably be expected to lead to a Company Superior Proposal, (ii) the Company's Board of Directors determines in good faith (after consultation with its legal advisors) that its failure to do so would reasonably be expected to result in a breach of the Board of Directors' fiduciary duties under applicable Law, (iii) prior to providing any information or data to any Person in connection with a proposal by any such Person, (A) the Company's Board of Directors receives from such Person an executed confidentiality agreement no less restrictive than the Confidentiality Agreement and (B) such information has been provided to Verizon (or is provided to Verizon at the same time it is provided to such Person, to the extent not previously provided or made available to Verizon) and (iv) prior to providing any non-public information or data to any Person or entering into discussions or negotiations with any Person, the Company's Board of Directors notifies Verizon promptly of any such inquiry, proposal or offer received by, any such information requested from, or any such discussions or negotiations sought to be initiated or continued with, the Company, any Company Subsidiary or any of their officers, directors, employees, advisors and agents indicating, in connection with such notice, the material terms and conditions of the Company Acquisition Proposal and the identity of the Person making such Company Acquisition Proposal. The Company agrees that it shall keep Verizon reasonably informed, on a reasonably prompt basis, of the status and material terms of any such proposals or offers, any changes thereto, and the status of any such discussions or negotiations and will notify Verizon promptly of any determination by the Company's Board of Directors that a Company Superior Proposal has been made. For purposes of this Agreement, a "Company Superior Proposal" means any proposal or offer made by a third party to acquire, directly or indirectly, by merger, consolidation or otherwise, for consideration consisting of cash and/or securities, at least a majority of the shares of the Company Common Stock then outstanding or all or substantially all of the assets of the Company and the Company Subsidiaries and otherwise on terms which the Board of Directors of the Company (after consultation with its legal and financial advisors) determines in its good faith judgment to be more favorable to the Company's stockholders than the Merger (taking into account all of the terms and conditions of such proposal and of this Agreement as well as any other factors deemed relevant by the Board of Directors of the Company) and reasonably capable of being consummated on the terms so proposed, taking into account all financial, regulatory, legal and other aspects of such proposal.

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

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

#### 7.12 Director and Officer Matters.

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

(b) Effective as of the Effective Time, the Surviving Corporation, on behalf of itself, its Subsidiaries and their respective successors and assigns, and for all parties claiming by, through or under them (the "Surviving Corporation Releasers"), hereby irrevocably release, remise and forever discharge each of the Identified Persons, and each of their respective estates and heirs, of and from any and all claims, whether presently known or unknown, which any Surviving Corporation Releaser has or may have of any

kind arising out of or pertaining to acts or omissions, or alleged acts or omissions, by the Identified Persons in the capacities specified in Section 7.12(a) prior to the Closing.

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

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

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

7.15 Notification.

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

(b) Each of the parties hereto shall keep the others informed on a timely basis as to (i) the status of the transactions contemplated by the Transaction Agreements and the obtaining of all necessary and appropriate exemptions, rulings, consents, authorizations and waivers related thereto and (ii) the status of any other material

regulatory proceeding, pending as of the date hereof or arising prior to the Effective Time, affecting the Spinco Business or the business of the Company and its Subsidiaries, as applicable, including making available to the other parties copies of all material communications with State Regulators in connection with any such proceeding.

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

(i) the parties will negotiate in good faith a mutually acceptable arrangement allowing Verizon and its Affiliates to occupy and use following the Closing the property located at 875 Holt Avenue, Manchester, New Hampshire in substantially the same manner insofar as practicable as such property is occupied and used by them (other than in connection with the Spinco Business) during the 12 month period prior the Closing Date;

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

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

7.17 Control of Other Party's Business. Nothing contained in this Agreement shall give Verizon or Spinco, directly or indirectly, the right to control or direct the Company's operations prior to the Effective Time. Nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct the operations

of the business of Spinco and the Spinco Subsidiaries prior to the Effective Time. Prior to the Effective Time, Verizon and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its respective operations.

7.18 Financial Statements and Related Information.

(a) Verizon will deliver to the Company at Verizon's expense, as soon as practicable, and in any event no later than 90 days after the end of the 2006 fiscal year, audited Statements of Selected Assets, Selected Liabilities and Parent Funding of the local exchange businesses and related landline activities of Verizon in the states of Maine, New Hampshire and Vermont (including Internet access, long distance and customer premises equipment services provided to customers in those states) for such fiscal year (collectively, such combined financial statements, together with the notes thereto, the "2006 Financial Statements"), which will comply with the reporting requirements of the SEC under Regulation S-X promulgated under the Exchange Act (either initially or as amended in response to any SEC comment), together with an unqualified opinion of Verizon's independent accounting firm, Ernst & Young LLP, it being agreed that the cost of such audit shall be borne by Verizon. The 2006 Financial Statements will be prepared in accordance with GAAP and Regulation S-X promulgated under the Exchange Act applied on a consistent basis throughout the period involved using the same accounting principles, practices, methodologies and policies used in preparing the Audited Financial Statements (except as may otherwise be required by GAAP or as may be expressly disclosed therein) and present fairly, in all material respects, the financial position and operating results of the Spinco Business as of the dates and for the periods indicated therein.

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

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

(d) No later than three Business Days following the filing of any quarterly report on Form 10-Q in respect of a fiscal quarter, the Company shall deliver to Verizon, in writing, a calculation of Company Adjusted EBITDA as of the end of such quarter, together with a certificate of an authorized representative of the Company stating that such calculation is an accurate calculation made in accordance with the definition of “Company Adjusted EBITDA” provided herein.

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



7.20 Financing.

(a) Verizon shall have the right to designate, in consultation with the Company, the final form of the Spinco Securities and related agreements (including registration rights arrangements and indenture) embodying the terms set forth in Exhibit C of the Distribution Agreement and to prepare the documents related thereto, provided that (i) the Company shall have the right and obligation, in consultation with Verizon, to negotiate and approve covenants that are generally consistent with then current market practice for 144A debt offerings and economic terms of the Spinco Securities and related agreements (including registration rights arrangements and indenture) that are not specified on Exhibit C of the Distribution Agreement as long as such covenants and economic terms are consistent with Exhibit C of the Distribution Agreement and shall allow the Spinco Securities to be valued at par upon issuance (including, for the avoidance of doubt, for purposes of the Debt Exchange if Verizon elects to consummate such Debt Exchange at the time of Closing) and allow for the timely consummation of the Debt Exchange (if elected by Verizon) and (ii) any other material terms of the Spinco Securities and related agreements that are not addressed by clause (i) of this Section 7.20(a) or on Exhibit C of the Distribution Agreement shall be subject to the joint approval of the parties, acting reasonably. For the avoidance of doubt, if Verizon elects to consummate the Debt Exchange, it shall have the sole right to structure the arrangements relating thereto with underwriters, arrangers and other third parties relating to the Debt Exchange; provided that Verizon shall keep the Company reasonably updated regarding such arrangements.

(b) Each of Verizon, Spinco and the Company shall cooperate in connection with the preparation of all documents and the making of all filings required in connection with the New Financing, the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange) and shall use their respective commercially reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate the New Financing, the issuance of the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange) and the other transactions contemplated in connection therewith. Without limiting the generality of the foregoing, each of Verizon, Spinco and the Company shall use their respective commercially reasonable efforts to cause their respective employees, accountants, counsel and other representatives to cooperate with each other in (i) participating in meetings, drafting sessions, due diligence sessions, management presentation sessions, “road shows” and sessions with rating agencies in connection with the syndication or marketing of the New Financing, the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange), (ii) preparing offering memoranda, private placement memoranda, prospectuses and similar documents deemed reasonably necessary by Verizon, Spinco or the Company, to be used in connection with consummating the New Financing, the issuance of the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange),

(iii) executing and delivering all documents and instruments deemed reasonably necessary by Verizon, Spinco or the Company to consummate the New Financing, the issuance of the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange), including any underwriting or placement agreements, pledge and security documents, other definitive financing documents, including any intercreditor or indemnity agreements, or other requested certificates or documents as may be reasonably requested in connection with the New Financing, the Spinco Securities or the Debt Exchange (if Verizon elects to consummate the Debt Exchange), provided, however, that (A) no such agreements or documents shall impose any monetary obligation or liability on Spinco or the Company prior to the Effective Time and (B) Verizon shall not be obligated to incur any obligations in connection with the New Financing (other than the obligation to pay Spinco Debt Expenses as provided in the Distribution Agreement and the non-monetary cooperation obligations set forth above in this Section 7.20(b)), (iv) disclosing the terms and conditions of the New Financing, the Spinco Securities and the Debt Exchange (if Verizon elects to consummate the Debt Exchange), as reasonably appropriate, in the Registration Statements, and (v) taking all other actions reasonably necessary in connection with the New Financing, including any such actions required to permit the assumption by the Surviving Corporation of the debt that is part of the New Financing and the Spinco Securities at the Effective Time. The obligations of Verizon, Spinco and the Company under this Section 7.20(b) with respect to the New Financing shall also apply to any Alternative Financing (as defined below).

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

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

commitment letter associated with the New Financing or any Alternative Financing to be repaid at the Closing with the proceeds from the New Financing or any Alternative Financing.

(e) The Company, if it does not enter into the amendment to the Company Credit Agreement contemplated by the Backstop Facility Commitment and thereby obtain the consent disclosed in Section 6.3(c) of the Company Disclosure Letter, shall enter into the documentation for, and draw on the facility contemplated by, the Backstop Facility Commitment prior to the expiration of the Backstop Facility Commitment (including any extension thereof that may be entered into with the consent of Verizon, not to be unreasonably withheld, delayed or conditioned), such draw to be in an amount sufficient to refinance in full the Company Credit Agreement and pay all related fees.

#### 7.21 Accountants.

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

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

(c) In connection with the information regarding the Company or the Company Subsidiaries or the transactions contemplated by this Agreement provided by the Company specifically for inclusion in, or incorporation by reference into, the Proxy Statement/Prospectus and the Registration Statements, the Company shall use all commercially reasonable efforts to cause to be delivered to Spinco letters of KPMG LLP,

dated the date on which each of the Registration Statements shall become effective and dated the Closing Date, and addressed to Verizon and Spincor, in form and substance reasonably satisfactory to Verizon and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Registration Statements.

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

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

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

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

Business (accounted for consistently with the Audited Financial Statements) in an amount not less than \$11,000,000 per month; provided, that any such expenses incurred in 2007 to the extent such expenses exceed \$137,500,000 will be credited against such expenses that Verizon and the Verizon Subsidiaries would otherwise be obligated to incur in 2008 pursuant to this Section 7.24.

7.25 Reseller Agreement. Verizon shall use commercially reasonable efforts to cause Verizon Wireless to enter into a reseller agreement with the Company at the Effective Time on the terms and conditions described in Section 5.23; provided that the Company's "Application for Reseller Status" has at such time been approved by Verizon Wireless in accordance with its standard practices and there has been no material change in the information set forth in such application from the time of its submission through the Effective Time.

7.26 Purchasing Arrangement.

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

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

respect of the purchase of the Supplies, the Company shall pay to Verizon the full amount due in respect of such invoice by wire transfer of immediately available funds. If such payment is not timely made, the Purchase Letter of Credit shall permit Verizon to draw against it for the full purchase price of such Supplies. Upon the Company's payment in full to Verizon of the purchase price in respect of all invoices for any Supplies ordered by the Company hereunder, Verizon shall surrender the Purchase Letter of Credit to the Company.

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

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

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

7.27 Joint Defense Arrangements. Prior to the Closing, Verizon and the Company, each acting reasonably, shall negotiate the terms of a joint defense agreement that will set forth the procedures for defending and resolving any threatened or filed litigation that constitutes in part a Spinco Liability (as defined in the Distribution Agreement) and a Verizon Liability (as defined in the Distribution Agreement) on a basis that provides for the active involvement and cooperation of each of Verizon and the Surviving Corporation, it being understood that lead counsel defending such litigation shall be selected by Verizon (after reasonable consultation with the Company, if such counsel was not selected prior to the Effective Time) and that neither Verizon nor the Surviving Corporation shall have the authority to bind the other party in any settlement of such litigation without the written consent of such other party. The parties agree that such agreement shall incorporate an equitable procedure for limiting the liability of an indemnity party in the event a settlement offer is accepted by such party and rejected by the counterparty, taking into account the party which is most likely to suffer the greater amount of Losses (including for such purposes payments hereunder), and a more adverse settlement or resolution results.

## ARTICLE VIII

### CONDITIONS TO THE MERGER

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

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

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

(c) (i) No regulatory proceeding before any State Regulator that is pending as of the date hereof or arises prior to the Effective Time, and affects

either the Spinco Business or the business of the Company and its Subsidiaries, shall have been resolved by final order of the applicable regulator on terms that, and (ii) no condition shall have been imposed in connection with obtaining any Telecommunications Regulatory Consent that, would reasonably be expected, when taken together, to have a Material Adverse Effect on the Surviving Corporation (disregarding for such purposes any request or requirement of a Governmental Authority (A) to make capital expenditures substantially consistent with the amounts and general categories of expenditures set forth in (x) the Company's 2007 capital expenditure budget set forth in Section 7.1(g) of the Company Disclosure Letter for its existing operations in Maine, New Hampshire and Vermont or (y) Verizon's 2007 capital expenditure budget for the Spinco Business set forth in Section 7.2(f) of the Spinco Disclosure Letter or (B) to abide by any public statements made by the Company with respect to the anticipated types of services or service levels to be delivered by the Surviving Corporation) or Verizon (assuming for purposes of this Section 8.1(c) that the business, assets, properties and liabilities of Verizon were comparable in size to that of the Surviving Corporation). For purposes of this Section 8.1(c), any determination of whether any condition shall have been imposed in connection with obtaining any Telecommunications Regulatory Consent that would reasonably be expected to have a Material Adverse Effect on the Surviving Corporation shall include consideration of the financial effect on the Surviving Corporation of any final order that may be issued denying the Company a waiver of Sections 61.41(b) and (c) of the FCC's rules, 47 C.F.R. 61.41(b), (c).

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

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

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

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



(h) No action shall have been taken, and no statute, rule, regulation or executive order shall have been enacted, entered, promulgated or enforced by any Governmental Authority with respect to the Contribution, the Distribution and the Merger or the other transactions contemplated hereby or by the Distribution Agreement or by the Employee Matters Agreement that, individually or in the aggregate, would (i) restrain, enjoin or prohibit the consummation of the Internal Spinoffs, the Internal Restructuring, the Contribution, the Distribution or the Merger or the other transactions contemplated hereby or by the Distribution Agreement or (ii) impose any burdens, liabilities, restrictions or requirements thereon or on Verizon, Spinco or the Company with respect thereto that would reasonably be expected to have a Material Adverse Effect on Verizon (assuming for purposes of this Section that the business, assets, properties and liabilities of Verizon were comparable in size to that of the Surviving Corporation) or the Surviving Corporation following the Merger (collectively, a “Restraint”), and no Governmental Authority shall have instituted or threatened to institute and not withdrawn any proceeding seeking any such Restraint.

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

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

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

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

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

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

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

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

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

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

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

(a) Spinco and Verizon shall have performed in all material respects and complied in all material respects with all covenants required by this

Agreement to be performed or complied with by them at or prior to the Effective Time.

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

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

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

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

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

## ARTICLE IX

### TERMINATION, AMENDMENT AND WAIVERS

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

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

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

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

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

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

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

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

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

constitutes a Company Superior Proposal, (iii) simultaneously with such termination the Company enters into a definitive acquisition, merger or similar agreement to effect the Company Superior Proposal and (iv) the Company pays to Verizon the amount specified and within the time period specified in Section 9.3;

(i) by the Company, by written notice to Verizon given by the Company within 15 days of the later to occur of the delivery to the other party, with respect to any fiscal quarter in 2007, of (x) any quarterly financial information delivered by Verizon pursuant to Section 7.18(c) and (y) any quarterly financial information delivered by the Company pursuant to Section 7.18(d), if such financial information delivered by Verizon indicates that Spinco Adjusted EBITDA as of the end of such quarter is less than \$450,000,000; or

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

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

9.3 Amounts Payable in Certain Circumstances.

(a) In the event that (i) the Company terminates this Agreement pursuant to Section 9.1(h), (ii) Verizon and Spinco terminate this Agreement pursuant to clause (i) of Section 9.1(g) or (iii) (A) any Person (other than Verizon, Spinco or any of their Affiliates) shall have made a Company Acquisition Proposal after the date hereof and prior to the Termination Date, and thereafter this Agreement is terminated by any party pursuant to Section 9.1(b) or by Verizon or Spinco pursuant to clause (ii) of Section 9.1(g) (and a Company Acquisition Proposal is outstanding at such time) or by any party pursuant to Section 9.1(f) (and a Company Acquisition Proposal shall have been publicly announced prior to the Company Stockholders' Meeting) and (B) within twelve months after the termination of this Agreement, any Company Acquisition shall have been consummated or any definitive agreement with respect to any Company Acquisition Proposal (other than, in each case, with Verizon, Spinco or any of their

Affiliates) shall have been entered into, then the Company shall pay Verizon a fee, in immediately available funds, in the amount of \$23.3 million at the time of such termination, in the case of a termination described in clause (i) or (ii) above, or upon the occurrence of the earliest event described in clause (iii)(B), in the event of a termination described in clause (iii), and in each case the Company shall be fully released and discharged from any other liability or obligation resulting from or under this Agreement, except with respect to any fraud or willful breach of this Agreement; provided, however, that for purposes of Section 9.3(a) only, (i) all references to 15% in the definition of Company Acquisition shall be deemed to be references to 50% and (ii) clause (i) of the definition of Company Acquisition shall read as follows: “any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving the Company or any of its Significant Subsidiaries following which the stockholders of the Company or any such Significant Subsidiary immediately prior to such transactions (or series of transactions) do not hold and own greater than 60% of the issued and outstanding equity securities of the Company or such Significant Subsidiary (or the successor thereof), as the case may be”.

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

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

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

of Verizon, Spinco or the Company to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

## ARTICLE X

### SURVIVAL; INDEMNIFICATION

10.1 Survival of Representations, Warranties and Agreements. The covenants and agreements that expressly state that they are to be performed following the Closing pursuant to the Distribution Agreement or this Agreement (including, without limitation, Sections 10.2 to 10.7 hereof) shall survive the Effective Time in accordance with their respective terms and all other covenants and agreements herein and therein shall terminate and shall not survive the Closing. None of the representations or warranties in this Agreement or in any certificate or instrument delivered pursuant to this Agreement or any other covenant or agreement set forth herein shall survive the Effective Time. The Confidentiality Agreement shall survive the execution and delivery of this Agreement and any termination of this Agreement, and the provisions of the Confidentiality Agreement shall apply to all information and material furnished by any party or its representatives thereunder or hereunder.

#### 10.2 Indemnification.

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

(b) If the Closing occurs, Verizon shall indemnify, defend and hold harmless (i) the Surviving Corporation Indemnitees from and against all Losses arising out of or due to the failure of any member of the Verizon Group (A) to timely pay or satisfy any



Verizon Liabilities or (B) to perform any of its obligations under this Agreement or the Distribution Agreement and (ii) the Surviving Corporation and each Controlling Person of the Surviving Corporation from and against, and pay or reimburse each of the foregoing for, all Losses arising out of or resulting from, directly or indirectly, or in connection with any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statements or in the Proxy Statement/Prospectus (or any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but only with respect to information provided by Verizon as to itself and its Subsidiaries, including Spinco, specifically for inclusion in, or incorporation by reference into, any such Proxy Statement/Prospectus or the Registration Statements.

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

### 10.3 Definitions for Purposes of this Article.

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

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

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

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

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

(a) No claim may be asserted by any Spinco Indemnitee under this Article X arising from any failure to transfer any Spinco Asset to Spinco unless such claim is asserted, if at all, within 18 months from the Closing Date.

(b) No Indemnitor shall be liable to or obligated to indemnify any Indemnitee hereunder for any consequential, special, multiple, punitive or exemplary damages including, but not limited to, damages arising from loss or interruption of business, profits, business opportunities or goodwill, or any cost or expense related thereto, except to the extent such damages are payable to or have been recovered by a third person and are the subject of a Third Party Claim for which indemnification is available under the express terms of this Article X.

(c) Verizon and the Company shall cooperate with each other with respect to resolving any claim or liability with respect to which one party is obligated to indemnify the other party (or its Affiliates) hereunder, including by making commercially reasonable efforts to mitigate the Losses and resolve any such claim or liability prior to initiating litigation.

10.5 Defense of Claims.

(a) Third Party Claims. If any Indemnitee receives notice of the assertion of any claim or of the commencement of any action or proceeding by any entity that is not either a Surviving Corporation Indemnitee or a Verizon Indemnitee (each, a “Third Party Claim”) against such Indemnitee, with respect to which an Indemnitor is obligated to provide indemnification under this Agreement, the Indemnitee will give such Indemnitor prompt written notice thereof, but in any event not later than ten calendar days after receipt of notice of such Third Party Claim, provided, however, that the failure of an Indemnitee to notify the Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise). Upon receipt of notification of a Third Party Claim, the Indemnitor shall be entitled, upon written notice to the Indemnitee, to assume the investigation and defense thereof at such Indemnitor’s expense with counsel reasonably satisfactory to the Indemnitee, provided that the Indemnitor shall not have the right to assume the defense of any Third Party Claim in the event such Third Party Claim is primarily for injunctive relief or criminal penalty of the Indemnitee, and in any such case, the reasonable fees and expenses of counsel to the Indemnitee in connection with such Third Party Claim shall be considered “Losses” for purposes of this Agreement. Whether or not the Indemnitor elects to assume the investigation and defense of any Third Party Claim, the Indemnitee shall have the right to employ separate counsel and to participate in the investigation and defense thereof; provided, however, that the

Indemnitee shall pay the fees and disbursements of such separate counsel unless (1) the employment of such separate counsel has been specifically authorized in writing by the Indemnitor; (2) the Indemnitor has failed to assume the defense of such Third Party Claim within 20 calendar days after receipt of notice thereof with counsel reasonably satisfactory to such Indemnitee; or (3) the named parties to the proceeding in which such claim, demand, action or cause of action has been asserted include both the Indemnitor and such Indemnitee and, in the reasonable judgment of counsel to such Indemnitee, there exists one or more good faith defenses that may be available to the Indemnitee that are in conflict with those available to the Indemnitor or that the Indemnitor and Indemnitee have actual material conflicting interests with respect to such claim, demand, action or cause of action. Notwithstanding the foregoing, the Indemnitor shall not be liable for the fees and disbursements of more than one counsel for all Indemnitees in connection with any one proceeding or any similar or related proceedings arising from the same general allegations or circumstances. Without the prior written consent of an Indemnitee, which shall not be unreasonably withheld or delayed, the Indemnitor will not enter into any settlement of or consent to the entry of judgment in connection with any Third Party Claim that (i) would lead to liability or create any financial or other obligation on the part of the Indemnitee, (ii) does not contain, as an unconditional term thereof, the release of the Indemnitee from all liability in respect of such Third Party Claim or such Third Party Claim is not dismissed against the Indemnitee with prejudice and without the imposition of any financial or other obligation on the Indemnitee or (iii) admits the liability or fault of the Indemnitee (the "Settlement Requirements"). If a settlement offer solely for money damages (and otherwise satisfying the Settlement Requirements) is made to resolve a Third Party Claim and the Indemnitor notifies the Indemnitee in writing of the Indemnitor's willingness to accept the settlement offer and pay the amount called for by such offer without reservation of any rights or defenses against the Indemnitee and if the Indemnitee fails to consent to such settlement offer within ten calendar days after its receipt of such notice, Indemnitee may continue to contest such claim, free of any participation by the Indemnitor, and the amount of any ultimate liability with respect to such Third Party Claim that the Indemnitor has an obligation to pay hereunder shall be limited to the lesser of (x) the amount of the settlement offer that the Indemnitee declined to accept plus the Losses of the Indemnitee relating to such Third Party Claim through the date of its rejection of the settlement offer or (y) the aggregate Losses of the Indemnitee with respect to such claim. The party controlling any defense shall keep the other party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider in good faith all reasonable recommendations made by the other party with respect thereto.

(b) Direct Claims. Any claim by an Indemnitee for Losses that do not result from a Third Party Claim (each, a "Direct Claim") shall be asserted by giving the Indemnitor prompt written notice thereof, but in any event not later than 60 calendar days after the incurrence thereof or such Indemnitee's actual knowledge of such event (whichever is later), provided, however, that the failure of an Indemnitee to notify the

Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise), and the Indemnitor will have a period of 30 calendar days within which to respond in writing to such Direct Claim. If the Indemnitor does not so respond within such 30 calendar day period, the Indemnitor will be deemed to have accepted such claim. If the Indemnitor rejects such claim, the Indemnitee will be free to pursue such remedies as may be available to the Indemnitee on the terms and subject to the provisions of this Article X.

10.6 Subrogation. If after the making of any Indemnification Payment, the amount of the Losses to which such payment relates is reduced by recovery, settlement or otherwise under any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Person, the amount of such reduction (less any costs, expenses, premiums or Taxes incurred in connection therewith) as and when actually received by the Indemnitee will promptly be repaid by the Indemnitee to the Indemnitor. Upon making any Indemnification Payment, the Indemnitor will, to the extent of such Indemnification Payment, be subrogated to all rights of the Indemnitee against any third party that is not an Affiliate of the Indemnitee in respect of the Losses to which the Indemnification Payment relates; provided that (a) the Indemnitor shall then be in compliance with its obligations under this Agreement in respect of such Losses, and (b) until the Indemnitee recovers full payment of its Losses, all claims of the Indemnitor against any such third party on account of said Indemnification Payment will be subrogated and subordinated in right of payment to the Indemnitee's rights against such third party. Without limiting the generality or effect of any other provision of this Article X, each such Indemnitee and Indemnitor will duly execute upon request all instruments reasonably necessary to evidence and perfect the above-described subrogation and subordination rights.

10.7 Other Rights and Remedies. Following the Closing, the sole and exclusive remedy at law for Verizon or the Company and all Affiliates thereof for any claim (whether such claim is framed in tort, contract or otherwise), arising out of a breach of any representation, warranty, covenant or other agreement in this Agreement other than a claim for fraud or willful misconduct under this Agreement or the Distribution Agreement, shall be a claim by Verizon or the Company for indemnification pursuant to this Article X.

## ARTICLE XI

### MISCELLANEOUS

11.1 Expenses. Except as expressly set forth in any Transaction Agreement, each party shall bear its own fees and expenses in connection with the transactions contemplated hereby; provided, however, that:

(i) Verizon shall on a monthly basis between the date hereof and the Closing (or the earlier termination hereof) reimburse the Company for 60.421% of Qualified Transition Expenses, such reimbursement to be made within 30 calendar days from the date upon which an invoice is delivered by the Company to Verizon, together with reasonable supporting documentation; provided further that reimbursement for such Qualified Transition Expenses shall not exceed \$40 million in the aggregate and if the Merger is consummated, the Surviving Corporation shall reimburse Verizon for certain out of pocket costs as contemplated by clause (ii) below, other than the amounts referred to in this clause (i), the audit fees referred to in Section 7.18(a), the Spinco Debt Expenses (as defined in the Distribution Agreement), and the fees and expenses of Verizon's financial and legal advisors,

(ii) if the Merger is consummated, the Surviving Corporation shall bear and be responsible, and shall indemnify and reimburse Verizon and the Verizon Subsidiaries for, (A) all Merger Transfer Taxes and (B) all Distribution Transfer Taxes and all recording, application and filing fees associated with the transfer of the Spinco Assets in connection with the transactions contemplated by the Distribution Agreement (including without limitation, the transfer of Spinco Owned Real Property and Real Property Interests such as railroad crossing rights and easements), such amount in the case of clause (B) not to exceed \$3 million, with Verizon to bear and be responsible for and to reimburse the Surviving Corporation for all such amounts in excess of \$3 million (it being agreed that the Surviving Corporation reasonably will consult with Verizon from time to time regarding such expenditures and take reasonable efforts to seek to minimize such amounts);

(iii) if the Debt Exchange is consummated, Verizon shall pay and be responsible for any fees and reimbursable expenses of the counterparties to such Debt Exchange, provided that the Surviving Corporation shall be responsible for any other costs that may be incurred in connection with issuing the Spinco Securities and consummating the Debt Exchange, including any printing costs, trustees fees and roadshow expenses (but excluding, for the avoidance of doubt, the costs of legal and financial advisors to Verizon); and

(iv) Verizon shall pay the fees and reimbursable expenses of the independent valuation firm referred to in Section 8.1(l) that are incurred in connection with the preparation and delivery of the Solvency Opinion.

If any party pays an amount that is the responsibility of another party pursuant to this Section 11.1, such party shall be promptly reimbursed by the party responsible for such amount.

11.2 Notices. Any notice required to be given hereunder shall be sufficient if in writing, and sent by facsimile transmission (provided that any notice received by facsimile transmission or otherwise at the addressee's location on any business day after 5:00 p.m. (addressee's local time) shall be deemed to have been received at 9:00 a.m. (addressee's local time) on the next business day), by reliable overnight delivery service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), addressed as follows:

If to Spinco (prior to the Effective Time) or Verizon, to:

Verizon Communications Inc.  
140 West Street  
New York, NY 10007  
Facsimile: (908) 766-3813  
Attn: Marianne Drost, Esq.  
Senior Vice President, Deputy General Counsel and  
Corporate Secretary

and

Verizon Communications Inc.  
One Verizon Way  
Basking Ridge, NJ 07920-1097  
Facsimile: (908) 696-2068  
Attn: Dale Chamberlain, Esq.

With a copy to (which shall not constitute notice):

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022  
Facsimile: (212) 909-6836  
Attn: Kevin M. Schmidt

If to the Company, to:

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Peter G. Nixon  
Chief Operating Officer

and

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Shirley J. Linn  
Executive Vice President and General Counsel

With a copy to (which shall not constitute notice):

Paul, Hastings, Janofsky & Walker LLP  
75 East 55th Street  
New York, NY 10022  
Facsimile No.: (212) 230-7700  
Attn: Thomas E. Kruger

or to such other address as any party shall specify by written notice so given, and such notice shall be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed. Any party to this Agreement may notify any other party of any changes to the address or any of the other details specified in this paragraph; provided that such notification shall only be effective on the date specified in such notice or five business days after the notice is given, whichever is later. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver. Verizon and Spinco shall provide to the Company in a manner consistent with this Section 11.2 copies of any notices that either may deliver to the other under the Distribution Agreement.

### 11.3 Interpretation; Consent.

(a) When a reference is made in this Agreement to an Article or Section, such reference shall be to an Article or Section of this Agreement unless otherwise indicated. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein” and

“hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a person are also to its permitted successors and assigns.

(b) Each of the parties has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any of the provisions of this Agreement. For avoidance of doubt, “consistent with past practice” when used with respect to Spinco or any of its Subsidiaries shall mean the past practice of Verizon and its Subsidiaries with respect to the conduct of the Spinco Business.

(c) Any matter disclosed in any particular Section or Subsection of the Spinco Disclosure Letter, the Verizon Disclosure Letter or the Company Disclosure Letter shall be deemed to have been disclosed in any other Section or Subsection of this Agreement, with respect to which such matter is relevant so long as the applicability of such matter to such Section or Subsection is reasonably apparent on its face.

(d) Unless otherwise expressly stated in this Agreement, any right of consent, approval or election given to any party hereto may be exercised by such party in its sole discretion.

11.4 Severability. If any provision of this Agreement or the application of any such provision to any Person or circumstance, shall be declared judicially to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, it being the intent and agreement of the parties hereto that this Agreement shall be deemed amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent or, if such modification is not possible, by substituting therefor another provision that is legal and enforceable and that achieves the same objective.

11.5 Assignment; Binding Effect. Neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of all of the other



parties, and any purported assignment without such consent shall be null and void. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

11.6 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than Verizon, Spinco and the Company and their respective successors and permitted assigns) any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, and no Person (other than as so specified) shall be deemed a third party beneficiary under or by reason of this Agreement.

11.7 Limited Liability. Notwithstanding any other provision of this Agreement, no stockholder, director, officer, Affiliate, agent or representative of any of the parties hereto, in its capacity as such, shall have any liability in respect of or relating to the covenants, obligations, representations or warranties of such party under this Agreement or in respect of any certificate delivered with respect hereto or thereto and, to the fullest extent legally permissible, each of the parties hereto, for itself and its stockholders, directors, officers and Affiliates, waives and agrees not to seek to assert or enforce any such liability that any such Person otherwise might have pursuant to applicable Law.

11.8 Entire Agreement. This Agreement (together with the other Transaction Agreements, the Confidentiality Agreement, the exhibits and the Disclosure Letters and the other documents delivered pursuant hereto) constitutes the entire agreement of all the parties hereto and supersedes all prior and contemporaneous agreements and understandings, both written and oral, between or among the parties, or any of them, with respect to the subject matter hereof.

11.9 Governing Law. Except to the extent relating to the consummation of the Merger, which shall be consummated in accordance with the DGCL, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the conflicts of law principles thereof.

11.10 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement binding on the parties hereto, notwithstanding that not all parties are signatories to the original or the same counterpart.

11.11 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF THE PARTIES HERETO IN THE

NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT  
HEREOF.

11.12 JURISDICTION; ENFORCEMENT. THE PARTIES AGREE THAT IRREPARABLE DAMAGE WOULD OCCUR IN THE EVENT THAT ANY OF THE PROVISIONS OF THIS AGREEMENT WERE NOT PERFORMED IN ACCORDANCE WITH THEIR SPECIFIC TERMS OR WERE OTHERWISE BREACHED. IT IS ACCORDINGLY AGREED THAT THE PARTIES SHALL BE ENTITLED TO AN INJUNCTION OR INJUNCTIONS TO PREVENT BREACHES OF THIS AGREEMENT AND TO ENFORCE SPECIFICALLY THE TERMS AND PROVISIONS OF THIS AGREEMENT IN ANY COURT OF THE UNITED STATES LOCATED IN THE STATE OF NEW YORK, THIS BEING IN ADDITION TO ANY OTHER REMEDY TO WHICH THEY ARE ENTITLED AT LAW OR IN EQUITY. IN ADDITION, EACH OF THE PARTIES HERETO (A) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF ANY FEDERAL COURT LOCATED IN THE STATE OF NEW YORK IN THE EVENT ANY DISPUTE ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (B) AGREES THAT IT WILL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT AND (C) AGREES THAT IT WILL NOT BRING ANY ACTION RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY COURT OTHER THAN A FEDERAL COURT SITTING IN THE STATE OF NEW YORK.

11.13 Knowledge Convention. As used herein, the phrase “Spinco’s Knowledge” and similar phrases shall mean all matters actually known to the following individuals: Stephen E. Smith, Ellen Corcoran, Dale Chamberlain, Leonard Suchyta, David Feldman, Bruce Beausejour and Karen Zacharia. As used herein, the phrase “Company’s Knowledge” and similar phrases shall mean all matters actually known to the following individuals: Eugene B. Johnson, Peter G. Nixon, Walter E. Leach, Jr., John Crowley and Shirley J. Linn.

[SIGNATURE PAGE FOLLOWS]

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

VERIZON COMMUNICATIONS INC.

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

NORTHERN NEW ENGLAND  
SPINCO INC.

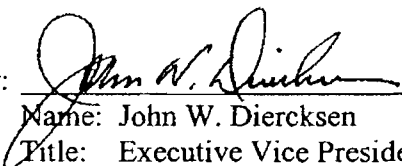
By: \_\_\_\_\_  
Name:  
Title:

FAIRPOINT COMMUNICATIONS, INC.

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

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

**VERIZON COMMUNICATIONS INC.**

By:  \_\_\_\_\_  
Name: John W. Dierksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

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

**FAIRPOINT COMMUNICATIONS,  
INC.**

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

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SPINCO INC.**

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

**FAIRPOINT COMMUNICATIONS,  
INC.**

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

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

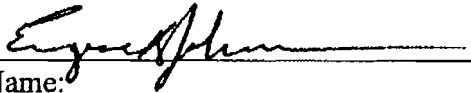
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SPINCO INC.**

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

**FAIRPOINT COMMUNICATIONS,  
INC.**

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

DISTRIBUTION AGREEMENT

BY AND BETWEEN

VERIZON COMMUNICATIONS INC.

AND

NORTHERN NEW ENGLAND SPINCO INC.

DATED AS OF JANUARY 15, 2007

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## DISTRIBUTION AGREEMENT

This DISTRIBUTION AGREEMENT (this "Agreement"), dated as of January 15, 2007, by and between Verizon Communications Inc., a Delaware corporation ("Verizon"), and Northern New England Spinco Inc., a Delaware corporation ("Spinco").

### RECITALS

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

WHEREAS, Verizon, Spinco and FairPoint Communications, Inc., a Delaware corporation (the "Company"), have entered into an Agreement and Plan of Merger, of even date herewith (as such agreement may be amended from time to time the "Merger Agreement"), pursuant to which, at the Effective Time (as defined in the Merger Agreement), Spinco will merge with and into the Company, with the Company continuing as the surviving corporation (the "Merger");

WHEREAS, this Agreement and the other Transaction Agreements (as defined herein) set forth certain transactions that are conditions to consummation of the Merger;

WHEREAS, prior to the Distribution (as defined herein) upon the terms and subject to the conditions set forth in this Agreement, Verizon will, pursuant to a series of restructuring transactions that will occur prior to the Distribution, (a) transfer or cause to be transferred by one or more of its Subsidiaries to the Non-ILEC Spinco Subsidiary (as defined herein) all of the ILEC Spinco Assets (as defined herein), such transfer to be subject to the assumption by such entity of the Non-ILEC Spinco Liabilities (as defined herein) and (b) transfer or cause to be transferred by Verizon New England Inc., a New York corporation ("Verizon New England") to the ILEC Spinco Subsidiary (as defined herein) all of the ILEC Spinco Assets (as defined herein), subject to the assumption by such entity of the ILEC Spinco Liabilities (as defined herein), and shall transfer the ILEC Spinco Subsidiary (after receiving its stock from its Subsidiaries in a series of internal distributions) to Spinco;

WHEREAS, in exchange for the transfers to the Spinco Subsidiaries contemplated by the immediately preceding recital, Spinco will upon the terms and subject to the conditions set forth in this Agreement (a) distribute to Verizon the Spinco Securities (as defined herein) and (b) pay to Verizon the Special Dividend (as defined herein), all upon the terms and subject to the conditions set forth herein (the transactions described in this recital and in the immediately preceding recital, collectively, the "Contribution");

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, Verizon will distribute (the “Distribution”) all of the issued and outstanding shares of common stock, par value \$.10 per share, of Spinco (“Spinco Common Stock”) to the holders as of the Record Date (as defined herein) of the outstanding shares of common stock, par value \$.10 per share, of Verizon (“Verizon Common Stock”) and, to the extent applicable, to such persons who received Verizon Common Stock pursuant to the exercise of Record Date Options (as defined below);

WHEREAS, the parties to this Agreement intend that (i) the First Internal Spinoff (as defined in the Merger Agreement) qualify as a reorganization under Section 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the “Code”) and a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (ii) the Second Internal Spinoff (as defined in the Merger Agreement) qualify as a distribution eligible for nonrecognition under Sections 355(a) and 361(c) of the Code; (iii) the Contribution, together with the Distribution, qualify as a tax-free reorganization under Section 368(a)(1)(D) of the Code; (iv) the Distribution qualify as a distribution of Spinco stock to Verizon stockholders eligible for nonrecognition under Sections 355(a) and 361(c) of the Code, (v) no gain or loss be recognized by Verizon for federal income tax purposes in connection with the receipt of the Spinco Securities (as defined herein) or the consummation of the Debt Exchange (as defined herein); (vi) the Special Dividend qualify as money transferred to creditors or distributed to shareholders in connection with the reorganization within the meaning of Section 361(b)(1) of the Code, to the extent that Verizon distributes the Special Dividend to its creditors and/or shareholders in connection with the Contribution, (vii) the Merger qualify as a tax-free reorganization pursuant to Section 368 of the Code; and (viii) no gain or loss be recognized as a result of such transactions for federal income tax purposes by any of Verizon, Spinco, and their respective stockholders and Subsidiaries (except to the extent of cash received in lieu of fractional shares); and

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

NOW, THEREFORE, in consideration of these premises, and of the representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

## ARTICLE I

### Definitions

Section 1.1 General. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

“Affiliate” means a Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person. The term “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interest, by contract or otherwise; provided, however, that for purposes of this Agreement, (i) from and after the Distribution Date, no member of either Group shall be deemed an Affiliate of any member of the other Group and (ii) none of Cellco Partnership or any of its Subsidiaries shall be deemed Affiliates or Subsidiaries of Verizon.

“Agent” means the distribution agent agreed upon by Verizon and the Company, to be appointed by Verizon to distribute the shares of Spinco Common Stock pursuant to the Distribution.

“Agreement” has the meaning set forth in the preamble.

“Alternative Financing” has the meaning set forth in the Merger Agreement.

“Applicable Rate” means the three-month LIBOR rate published on Telerate Page 3750 as of 11:00 a.m. London time, on the date which is two days prior to the date such rate is determined, less 10 basis points, such rate to be reset every 90 days.

“Asset” means any and all assets, properties and rights, wherever located, whether real, personal or mixed, tangible or intangible, including the following (in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person): (i) notes and accounts and notes receivable (whether current or non-current); (ii) Cash and Cash Equivalents, debentures, bonds, notes, evidences of indebtedness, certificates of interest or participation in profit-sharing agreements, collateral-trust certificates, preorganization certificates or subscriptions, transferable shares, investment contracts, letters of credit and performance and surety bonds, voting-trust certificates, puts, calls, straddles, options and other securities of any kind, and all loans, advances or other extensions of credit or capital contributions to any other Person; (iii) rights under leases (including real property leases), contracts, licenses, permits, distribution arrangements, sales and purchase

agreements, joint operating agreements, other agreements and business arrangements; (iv) owned real property; (v) leased real property, fixtures, trade fixtures, machinery, equipment (including oil and gas, transportation and office equipment), tools, dies and furniture; (vi) office supplies, production supplies, spare parts, other miscellaneous supplies and other tangible property of any kind, including all antennas, apparatus, cables, electrical devices, fixtures, equipment, furniture, office equipment, broadcast towers, motor vehicles and other transportation equipment, special and general tools, test devices, transmitters and other tangible personal property; (vii) computers and other data processing equipment and software; (viii) raw materials, work-in-process, finished goods, consigned goods and other inventories; (ix) prepayments or prepaid expenses; (x) claims, causes of action, rights under express or implied warranties, rights of recovery and rights of setoff of any kind; (xi) Information; (xii) advertising materials and other printed or written materials; (xiii) goodwill as a going concern and other intangible properties; (xiv) employee contracts, including any rights thereunder to restrict an employee from competing in certain respects; (xv) licenses and authorizations issued by any governmental authority; and (xvi) Real Property Interests.

“Backstop Facility Commitment” has the meaning set forth in the Merger Agreement.

“Blended Customer Contracts” means billing and collection Contracts, operator service Contracts, directory assistance Contracts and Contracts with end user customers, in each case to which one of the Contributing Companies or another Subsidiary of Verizon is a party, and in each case which provide for such customers to receive one or more products and/or services that are offered by the Spinco Business as well as one or more products and/or services that are offered by the Verizon Business, other than those Contracts listed on Section 1.1(a) of the Disclosure Letter.

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

“Business Day” means any day other than a Saturday, Sunday or a day on which banking institutions in the City of Charlotte, North Carolina or the City of New York, New York are authorized or obligated by law or executive order to close.

“Cash and Cash Equivalents” means all cash, cash equivalents, including certificates of deposit or bankers’ acceptances maturing within one year from the date of acquisition thereof, marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or an agency thereof, and investments in money market funds and other liquid investments, including all deposited but uncleared bank deposits.

“Claims Made Policies” has the meaning set forth in Section 7.5(a).

“Closing Date” has the meaning set forth in the Merger Agreement.

“Closing Statement” has the meaning set forth in Section 5.1(a).

“Code” has the meaning set forth in the Recitals.

“Commitment Letter” has the meaning set forth in the Merger Agreement.

“Company” has the meaning set forth in the Recitals.

“Company Consent” means the written consent of the Company, which consent shall not be unreasonably withheld, conditioned or delayed.

“Contract” means any contract, agreement or binding arrangement or understanding, whether written or oral and whether express or implied.

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

“Contribution” has the meaning set forth in the Recitals.

“Current Assets” means total current assets of Spinco and the Spinco Subsidiaries, determined in accordance with the last sentence of Section 5.1(a), as of the opening of business on the Distribution Date.

“Current Liabilities” means the total current liabilities of Spinco and the Spinco Subsidiaries, determined in accordance with the last sentence of Section 5.1(a), as of the opening of business on the Distribution Date, but excluding (i) the current portion of any Indebtedness and excluding all Spinco Debt Expenses and (ii) for the avoidance of doubt, any amounts that are the responsibility of the Surviving Corporation pursuant to Section 11.1 of the Merger Agreement.

“Debt Exchange” has the meaning set forth in Section 2.4(d)

“Disclosure Letter” means the schedule prepared and delivered by Verizon to Spinco as of the date of this Agreement.

“Dispute Resolution Request” has the meaning set forth in Section 5.1(c).

“Distribution” has the meaning set forth in the Recitals.

“Distribution Date” means the date that the Distribution shall become effective.

“Distribution Date Spinco Indebtedness” means the aggregate amount of Indebtedness of Spinco and its Subsidiaries as of the opening of business on the Distribution Date, calculated pro forma for the Contribution.

“Distribution Date Working Capital” means the amount, if any, by which Current Assets exceeds Current Liabilities (or, if Current Liabilities exceeds Current Assets, the amount of such excess expressed as a negative number) as of the opening of business on the Distribution Date prior to the application of purchase accounting entries to the Company’s opening balance sheet.

“Effective Time” has the meaning set forth in the Merger Agreement.

“Election” has the meaning set forth in Section 2.4(e).

“Employee Matters Agreement” means the Employee Matters Agreement entered into among Verizon, Spinco and the Company on the date hereof, as such agreement may be hereafter amended from time to time.

“Excluded Contract” means (i) any Contract entered into by Verizon or any Subsidiary of Verizon (other than Spinco or a Spinco Subsidiary), on the one hand, with a non-Affiliate of Verizon, on the other hand, which is used or offered in the conduct of the Spinco Business as well as the Verizon Business, other than any Blended Customer Contract and (ii) any Contract entered into solely between or among Verizon and/or Affiliates of Verizon, other than the Transferred Affiliate Arrangements, including, in each case, those Contracts listed in Section 1.1(b) of the Disclosure Letter.

“Final Closing Statement” has the meaning set forth in Section 5.1(c).

“Final Distribution Date Working Capital” has the meaning set forth in Section 5.1(d).

“GAAP” means United States generally accepted accounting principles.

“Governmental Authority” has the meaning set forth in the Merger Agreement.

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

“Idearc Agreements” means the Publishing Agreement, the Non-competition Agreement and the Branding Agreement, each to be entered into between Idearc Media Inc., a Delaware corporation, and Spinco and such Subsidiaries of Spinco as are designated by Verizon prior to the Distribution (in consultation with the Company), each in the form attached hereto as Exhibits A-1, A-2 and A-3.

“Indebtedness” means, with respect to Spinco and the Spinco Subsidiaries, all indebtedness for borrowed money, including the aggregate principal amount thereof, and any accrued interest thereon.

“Identified Persons” has the meaning set forth in the Merger Agreement.

“ILEC” means an incumbent local exchange carrier.

“ILEC Spinco Assets” means Spinco Assets which are subject to regulations applicable to ILECs promulgated by one or more of the State of Vermont Public Service Board, the State of Maine Public Utilities Commission or the New Hampshire Public Utilities Commission.

“ILEC Spinco Liabilities” means Spinco Liabilities that arise from or relate to ILEC Spinco Assets.

“ILEC Spinco Subsidiary” means Northern New England Telephone Operations Inc., a newly formed Delaware corporation.

“Information” means all lists of customers, records pertaining to customers and accounts, copies of Contracts, personnel records, lists and records pertaining to customers, suppliers and agents, and all accounting and other books, records, ledgers, files and business records, data and other information of every kind (whether in paper, microfilm, computer tape or disc, magnetic tape or any other form).

“Intellectual Property Agreement” means the Intellectual Property Agreement to be entered into among Verizon and its Affiliates and Spinco and its Affiliates, in the form of Exhibit B hereto.

“Intellectual Property Assets” means all “Statutory Intellectual Property” and “Non-Statutory Intellectual Property”, as each such term is defined in the Intellectual Property Agreement.

“Leased Real Property” means all leasehold or subleasehold estates and other rights of Verizon or one of its Affiliates to use or occupy any land, buildings or structures located in the Territory and used primarily in the conduct of the Spinco Business, including those listed in Section 1.1(c) of the Disclosure Letter.

“Liability” or “Liabilities” means all debts, liabilities and obligations (including those arising under contracts) whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and whether or not the same would properly be reflected on a balance sheet. “Liabilities” shall not include (a) any liabilities in respect of any Intellectual Property, (b) any liabilities for or in respect of Taxes, which shall be governed solely by the Tax Sharing



Agreement and, to the extent applicable, the Merger Agreement or (c) any liabilities for or in respect of any benefit plans, programs, agreements, and arrangements, which shall be governed exclusively by the Employee Matters Agreement and, to the extent applicable, the Merger Agreement.

“Litigation Matters” means all pending or threatened litigation, investigations, claims or other legal matters that have been or may be asserted against, or otherwise adversely affect, Verizon and/or Spinco (or members of either Group).

“Merger” has the meaning set forth in the Recitals.

“Merger Agreement” has the meaning set forth in the Recitals.

“New Financing” has the meaning set forth in the Merger Agreement.

“Non-ILEC Spinco Assets” means Spinco Assets other than ILEC Spinco Assets.

“Non-ILEC Spinco Liabilities” means Spinco Liabilities other than ILEC Spinco Liabilities.

“Non-ILEC Spinco Subsidiary” means Enhanced Communications of Northern New England Inc., a newly-formed Delaware corporation.

“Occurrence Basis Policies” has the meaning set forth in Section 7.5(a).

“Owned Real Property” means all land in the Territory that is owned by Verizon or one of its Affiliates and used primarily in the conduct of the Spinco Business, together with all buildings, structures, improvements and fixtures located thereon, subject to all easements and other rights and interests appurtenant thereto, including those listed in Section 1.1(d) of the Disclosure Letter.

“Person” or “person” means a natural person, corporation, company, partnership, limited partnership, limited liability company, or any other entity, including a Governmental Authority.

“Policies” means all insurance policies, insurance contracts and claim administration contracts of any kind of Verizon and its Subsidiaries (including members of the Spinco Group) and their predecessors which were or are in effect at any time at or prior to the Distribution Date, including but not limited to commercial general liability, automobile, workers’ compensation, excess and umbrella, aircraft, crime, property and business interruption, directors’ and officers’ liability, fiduciary liability, employment practices liability, errors and omissions, special accident, environmental, inland and marine, and captive insurance company arrangements, together with all rights, benefits and privileges thereunder.

“Privileged Information” means with respect to either Group, Information regarding a member of such Group, or any of its operations, Assets or Liabilities (whether in documents or stored in any other form or known to its employees or agents) that is or may be protected from disclosure pursuant to the attorney-client privilege, the work product doctrine or another applicable privilege, that a member of the other Group may come into possession of or obtain access to pursuant to this Agreement or otherwise.

“Real Property Interests” means all easements, rights of way, and licenses (whether as licensee or licensor) in the real property that is used primarily in the conduct of the Spinco Business, and excluding all Owned Real Property and property and interests subject to Real Property Leases.

“Real Property Leases” means all leases, subleases, concessions and other agreements (written or oral) pursuant to which any Leased Real Property is held, including the right to all security deposits and other amounts and instruments deposited thereunder.

“Reclassification” has the meaning set forth in Section 4.2.

“Record Date” means the close of business on the date to be determined by the Board of Directors of Verizon as the record date for determining stockholders of Verizon entitled to participate in the Distribution, which date shall be a Business Day preceding the day of the Effective Time.

“Record Date Options” has the meaning set forth in the Employee Matters Agreement.

“Representative” means with respect to any Person, any of such Person’s directors, managers or persons acting in a similar capacity, officers, employees, agents, consultants, financial and other advisors, accountants, attorneys and other representatives.

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

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

“Special Dividend” means a dividend in an amount to be set forth in a certificate delivered by Verizon to Spinco, with a copy to the Company, no later than 30 days prior to the Distribution Date, which amount shall not exceed Verizon’s estimate of its tax basis in Spinco.

“Spinco” has the meaning set forth in the preamble; provided, that with respect to any period following the Effective Time, all references to Spinco herein shall be deemed to be references to the Surviving Corporation.

“Spinco Assets” means, subject to Section 2.1(c), collectively:

(i) all of the right, title and interest of Verizon and its Subsidiaries in all Assets that are primarily used or held for use in, or that primarily arise from, the conduct of the Spinco Business, including:

(A) those set forth on the Spinco Interim Balance Sheet (after giving effect for this purpose to any exclusion of Assets resulting from application of the principles, methodologies and policies set forth in Section 5.1 of the Disclosure Letter) to the extent held on the Distribution Date;

(B) all Owned Real Property and all Leased Real Property, together with all buildings, towers, facilities and other structures and improvements located thereon;

(C) all Real Property Interests;

(D) Telephone Plant; and

(E) Contracts, including the Contracts listed in Section 1.1(g) of the Disclosure Letter;

(ii) all other Assets of Spinco and the Spinco Subsidiaries to the extent specifically assigned to any member of the Spinco Group pursuant to this Agreement or any other Transaction Agreement;

(iii) the capital stock of each Spinco Subsidiary (it being agreed that the physical certificates representing such capital stock shall be delivered to Spinco at the closing of the Merger by Verizon no later than the Distribution Date);

(iv) all rights of the Contributing Companies in respect of the Transferred Affiliate Arrangements;

(v) those rights in the Blended Customer Contracts as are allocated to Spinco as contemplated by Section 7.8(e) of the Merger Agreement; and

(vi) any additional Assets set forth on Section 1.1(e) of the Disclosure Letter;

provided, that in no event will Spinco Assets include:

(A) any Intellectual Property Asset (except to the extent specified in a Transaction Agreement);

(B) any Verizon Assets;

(C) any Assets of Verizon Business Global LLC, f/k/a MCI, LLC, which is the successor to the business of MCI, Inc., and direct and indirect subsidiaries of Verizon Business Global LLC;

(D) any Assets of Verizon Network Integration Corp.;

(E) any Assets of Verizon Federal Inc.;

(F) any Assets of Federal Network Systems LLC;

(G) any Assets of Verizon Global Networks Inc.;

(H) any Assets of Verizon Select Services Inc., other than Assets that constitute customer relationships or Contracts that relate solely to the Spinco Business or are referred to in clause (v) above, including, for the avoidance of doubt, the Verizon Select Services Inc. customer relationships managed by Verizon Business Global LLC or its subsidiaries;

(I) any Assets of Cellco Partnership (d/b/a Verizon Wireless); or

(J) any Cash or Cash Equivalents or short term investments except as may be elected by Verizon.

“Spinco Audited Balance Sheet” means the audited Combined Statements of Selected Assets, Selected Liabilities and Parent Funding as of December 31, 2005 for the local exchange businesses and related landline activities of Verizon in the states of Maine, New Hampshire and Vermont (including Internet access, long distance and customer premises equipment services provided to customers in those states).

“Spinco Business” means:

(i) all of the incumbent local exchange carrier business activities and operations of Verizon and its Affiliates in the Territory (consisting of local exchange service, intraLATA toll service, network access service, enhanced voice and data services, DSL services and wholesale services); and

(ii) all of the following activities of Verizon and its Affiliates in the Territory:

(A) consumer and small business switched and dedicated long distance service to customers located in the Territory;

(B) large business switched and dedicated long distance service to customers of Verizon Select Services Inc. located in the Territory;

(C) the delivery by Verizon Internet Services Inc. of dial-up, DSL and fiber to the premises (a/k/a FiOS) data and dedicated internet access services to customers located in the Territory;

(D) customer premise equipment sales, and installation and maintenance services currently offered by Verizon Select Services, Inc. to customers located in the Territory; and

(E) private line service to customers of Verizon Select Services Inc. where the line originates and terminates in the Territory;

provided that, for the avoidance of doubt, “Spinco Business” shall not include any other business activities or operations of Verizon or its Affiliates that may be conducted in the Territory, including, without limitation,

(A) the offering of wireless voice, data and other services by Cellco Partnership (d/b/a Verizon Wireless) and the offering of air-to-ground or rail-to-ground services by Verizon Airfone;

(B) publishing and printing telephone directories and publishing electronic directories;

(C) monitoring, installation, maintenance and repair of data customer premises equipment and software, structured cabling, call center solutions and professional services as provided generally by Verizon Network Integration Corp.;

(D) multi-dwelling unit voice, data and video services as provided generally by Verizon Avenue Corp.;

(E) wireless telecommunications services, customer premises equipment, inside wiring and cabling, and consulting services to or for federal government agencies offered by Federal Network Systems LLC, and customer premises inside wiring and cabling, and consulting services to or for federal government agencies offered by Verizon Federal Inc.;

(F) interstate, intrastate and local exchange services offered by Verizon or its Affiliates (other than the Contributing Companies) consisting primarily of those conducted by them as successors to the business of MCI, Inc.;

(G) monitoring, provision, maintenance and repair of intrastate, interstate and international telecommunications and information services, managed services, internet protocol services, data center services, professional services, hosting services, web infrastructure and application management and other products, services and software provided to government and large business customers as provided generally by Verizon

Business Global LLC, f/k/a MCI, LLC, which is the successor to the business of MCI, Inc., or direct and indirect subsidiaries of Verizon Business Global LLC;

(H) consumer and small business CPE services (including DSL modem and router fulfillment) as provided generally by Verizon TeleProducts;

(I) long haul switching, routing, and transmission and other carrier services as provided generally by Verizon Global Networks Inc.;

(J) prepaid card products, payphone dial around services (VSSI-CARD) and dedicated Internet access services as provided generally by Verizon Select Services Inc;

(K) Verizon Voice Over Internet Protocol service as provided generally by Verizon d/b/a Verizon Long Distance and NYNEX Long Distance; or

(L) activities relating to the foregoing or in substitution for the foregoing by the named entities or any successor thereto.

“Spinco Common Stock” has the meaning set forth in the Recitals.

“Spinco Debt Expenses” means (i) the aggregate amount of all fees and expenses payable to lenders or lenders’ advisors by Spinco or the Surviving Corporation pursuant to the terms of the New Financing (or Alternative Financing) in connection with the consummation of the New Financing (or Alternative Financing) multiplied by (ii) a fraction, the numerator of which is (A) the amount drawn by Spinco under the terms of the New Financing (or Alternative Financing) immediately prior to the Effective Time and the denominator is (B) the sum of the aggregate amount of indebtedness contemplated by the New Financing (or Alternative Financing).

“Spinco Group” means Spinco and the Spinco Subsidiaries.

“Spinco Guarantees” has the meaning set forth in Section 7.4(b).

“Spinco Interim Balance Sheet” means the balance sheet that is part of the Interim Financial Statements (as defined in the Merger Agreement).

“Spinco Liabilities” means, subject to Section 2.1(c), collectively:

(i) all Liabilities of Verizon or any of its Subsidiaries (including Spinco and the Spinco Subsidiaries) to the extent relating to or arising from the Spinco Business, including the Liabilities set forth on the Spinco Interim Balance Sheet (after giving effect for this purpose to any exclusion of Liabilities resulting from application of the principles, methodologies and policies set forth in Section 5.1 of the Disclosure Letter) or

arising after the date thereof and the Liabilities of Spinco under the Transaction Agreements;

(ii) all Liabilities to the extent relating to or arising from any Spinco Assets;

(iii) all Liabilities of the Spinco Business in respect of the Transferred Affiliate Arrangements;

(iv) those Liabilities in the Blended Customer Contracts that are assigned to and assumed by the Company pursuant to Section 7.7(e) of the Merger Agreement;

(v) all Liabilities relating to or arising from any Verizon Guarantee; and

(vi) all Liabilities set forth on Section 1.1(f) of the Disclosure Letter.

Notwithstanding the foregoing, Spinco Liabilities shall not include any Liabilities specifically agreed not to be assumed by Spinco under any other Transaction Agreement. For the avoidance of doubt, Spinco Liabilities do not include Verizon Liabilities.

“Spinco Securities” means the notes to be issued by Spinco to Verizon, as contemplated in Section 2.4 hereof and having the principal terms set forth on Exhibit C hereto and other terms determined in accordance with Section 7.20 of the Merger Agreement.

“Spinco Subsidiaries” means, collectively, the Non-ILEC Spinco Subsidiary and the ILEC Spinco Subsidiary.

“Subsidiary” has the meaning set forth in the Merger Agreement.

“Surviving Corporation” has the meaning set forth in the Merger Agreement.

“Target Working Capital” means \$50,500,000, provided that such amount will be reduced by the amount, if any, equal to (x) the sum of (i) any amount the Company pays or becomes obligated to pay to a Commitment Party (as defined in the Commitment Letter) pursuant to the fifth paragraph of the fee letter that is part of the Commitment Letter, and (ii) any amount the Company pays or becomes obligated to pay pursuant to the fee letter that is part of the Backstop Facility Commitment, divided by (y) 0.39579.

“Taxes” has the meaning set forth in the Merger Agreement.

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

“Telephone Plant” means the plant, systems, structures, regulated construction work in progress, telephone cable (whether in service or under construction), microwave

facilities (including frequency spectrum assignment), telephone line facilities, machinery, furniture, fixtures, tools, implements, conduits, stations, substations, equipment (including central office equipment, subscriber station equipment and other equipment in general), instruments and house wiring connections located in the Territory used in the Spinco Business.

“Territory” means the local franchise area of Verizon New England in the states of Maine, Vermont and New Hampshire.

“Total Verizon Shares” means (i) the total number of shares of Verizon Common Stock as of the Record Date plus (ii) the total number of shares of Verizon Common Stock issued to all persons who acquired such Verizon Common Stock pursuant to the exercise of Record Date Options.

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

“Transferred Affiliate Arrangements” means (i) any intercompany trade accounts payable or receivable of the Spinco Business as of the date of the Contribution, including amounts payable by or to Verizon or any Verizon Subsidiaries under Contracts for the provision of billing and collection, network access and other services, (ii) any reimbursements due as of the date of the Contribution in respect of the Spinco Business for corporate services under the pro-rate agreement or other arrangements with Verizon or any Verizon Subsidiary consistent with past practice, (iii) any Transaction Agreement and any arrangement expressly contemplated by a Transaction Agreement, (iv) any Affiliate interconnection Contract or (v) any Contract listed on Section 1.1(g) of the Disclosure Letter.

“Transition Services Agreement” means that Transition Services Agreement entered into on the date hereof, between Verizon and Spinco, as such agreement may be amended from time to time.

“Verizon” has the meaning set forth in the preamble.

“Verizon Assets” means, subject to Section 2.1(c), collectively,

(i) all of the right, title and interest of Verizon and its Subsidiaries in all Assets held by them other than those identified in clauses (i) through (vi) of the definition of Spinco Assets, it being acknowledged that Verizon Assets include (a) all Excluded Contracts (it being agreed that Spinco and the Spinco Subsidiaries shall be permitted to (x) retain any product or license under an Excluded Contract delivered and paid for prior to the Closing in the conduct of the Spinco Business and (y) receive any product or license under an Excluded Contract that was ordered and paid for prior to the Closing in



the conduct of the Spinco Business but which shall be delivered after the Closing), (b) all Contracts between Verizon and the Verizon Subsidiaries on one hand and Spinco and the Spinco Subsidiaries on the other hand (other than to the extent they constitute Transferred Affiliate Arrangements), (c) any Asset, other than any customer relationships, of the dial-up and ISP and the consumer or small business long distance portions of the Spinco Business and (d) tangible Assets used exclusively by personnel who are retained by Verizon but who work in one of the work centers or other locations located in the Territory which serve both the Spinco Business and the Verizon Business, all of which are set forth in Section 1.1(h) of the Disclosure Letter.

(ii) all other Assets of Verizon and Verizon Subsidiaries to the extent specifically assigned to or retained by any member of the Verizon Group pursuant to this Agreement or any other Transaction Agreement,

(iii) the capital stock of each Verizon Subsidiary,

(iv) all rights of Verizon under the Transaction Agreements,

(v) all defenses and counterclaims relating to any Liability retained by Verizon or its Affiliates, and

(vi) any additional Assets set forth on Section 1.1(i) of the Disclosure Letter.

“Verizon Business” means all of the businesses and operations conducted by Verizon and the Verizon Subsidiaries (other than the Spinco Business) at any time, whether prior to, on or after the Distribution Date.

“Verizon Common Stock” has the meaning set forth in the Recitals.

“Verizon Group” means Verizon and the Verizon Subsidiaries.

“Verizon Guarantees” has the meaning set forth in Section 7.4(a).

“Verizon Liabilities” means, subject to Section 2.1(c), collectively, (i) all Liabilities of Verizon or any of its Subsidiaries relating to or arising out of the Verizon Business, including the Liabilities of Verizon under the Transaction Agreements, in each case other than the Spinco Liabilities, (ii) all Liabilities in respect of the Transferred Affiliate Arrangements other than the Spinco Liabilities related thereto, (iii) those Liabilities under the Blended Customer Contracts except to the extent assumed by the Company pursuant to Section 7.8(e) of the Merger Agreement, (iv) all Liabilities in respect of Excluded Contracts, (v) all Liabilities set forth on Section 1.1(j) of the Disclosure Letter, (vi) all Liabilities relating to or arising from any Spinco Guarantee, and (vii) all expenses allocated to Verizon pursuant to Section 11.1 of the Merger Agreement, (viii) all obligations in respect of guarantees issued by any member of the

Spinco Group prior to the Closing Date in respect of the Verizon Business, (ix) Spinco Debt Expenses, (x) the amount, if any, by which Distribution Date Spinco Indebtedness exceeds \$1.7 billion and (xi) Liabilities in respect of claims asserted against any Identified Person as a result of acts or omissions occurring prior to the Distribution. For the avoidance of doubt, Verizon Liabilities do not include Spinco Liabilities.

“Verizon New England” has the meaning set forth in the Recitals.

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

Section 1.2 References to Time. All references in this Agreement to times of the day shall be to New York City time.

## ARTICLE II

### The Contribution

#### Section 2.1 Transfers of Spinco Assets and Spinco Liabilities.

(a) Subject to Section 2.1(b) and, in the case of Information, Article VIII, on or prior to the Distribution Date, Verizon shall take or cause to be taken all actions necessary to cause the transfer, assignment, delivery and conveyance (i) of the Non-ILEC Spinco Assets and the Non-ILEC Spinco Liabilities to the Non-ILEC Spinco Subsidiary and (ii) of the ILEC Spinco Assets and the ILEC Spinco Liabilities to the ILEC Spinco Subsidiary. Spinco shall assume or cause the applicable Spinco Subsidiaries to assume, and thereafter timely pay, perform and discharge, when and as due, or cause the applicable Spinco Subsidiaries to thereafter timely pay, perform and discharge, when and as due, all of the Spinco Liabilities.

(b) Nothing in this Agreement (including, for the avoidance of doubt, Section 7.6) shall be deemed to require the transfer of any Assets or the assumption of any Liabilities which by their terms or operation of law cannot be transferred or assumed until such time as all legal impediments to such transfer or assumption have been removed. The rights and obligations of the parties in respect of removing such impediments, (including pursuing and obtaining all applicable consents, waivers and approvals in connection with the Contribution) and in respect of such Assets and Liabilities to the extent not transferred on the Distribution Date are set forth in the Merger Agreement and no additional rights or obligations shall be deemed to arise under this Agreement in connection therewith.

(c) The rights and obligations of the parties with respect to Taxes shall be governed exclusively by the Tax Sharing Agreement (and, to the extent applicable, the

Merger Agreement). Accordingly, items relating to Taxes shall not be treated as Assets or Liabilities for purposes of, or otherwise be governed by, this Agreement. In the event of any inconsistency between this Agreement and the Tax Sharing Agreement, the terms of the Tax Sharing Agreement shall control. In addition, the rights and obligations of the parties with respect to benefit plans, programs, agreements and arrangements shall be governed exclusively by the Employee Matters Agreement. Accordingly, assets and liabilities relating to any benefit plans, programs, agreements and arrangements shall not be treated as Assets or Liabilities for purposes of, or otherwise be governed by, this Section 2.1. The rights and obligations of the parties with respect to collective bargaining agreements and practices, including Spinco collective bargaining agreements, memoranda of agreement and memoranda of understanding, and the rights and obligations arising under those contracts and practices on benefit plans, programs, agreements and arrangements shall be treated as Assets or Liabilities for purposes of this Section 2.1, and are described in the Employee Matters Agreement. In the event of any conflict between this Section 2.1, or any other Section of this Agreement, and the Employee Matters Agreement, the Employment Matters Agreement shall control.

Section 2.2 Conveyancing and Assumption Agreements. In connection with the transfer of the Spinco Assets and the assumption of the Spinco Liabilities contemplated by this Article II, Verizon and Spinco shall execute, or cause to be executed by the appropriate entities, customary conveyancing and assumption instruments (provided that such instruments shall not impose obligations on any party or grant rights, through representations or otherwise, beyond those set forth in this Agreement).

Section 2.3 Certain Resignations. At or prior to the Distribution Date, Verizon shall cause each employee and director of Verizon and its Subsidiaries who will not be employed by Spinco or a Spinco Subsidiary after the Distribution Date to resign, effective not later than the Distribution Date, from all boards of directors or similar governing bodies of Spinco or any Spinco Subsidiary on which they serve, and from all positions as officers of Spinco or any Spinco Subsidiary in which they serve. Spinco will cause each employee and director of Spinco and its Subsidiaries who will not be employed by Verizon or any Verizon Subsidiary after the Distribution Date to resign, effective not later than the Distribution Date, from all boards of directors or similar governing bodies of Verizon or any Verizon Subsidiary on which they serve, and from all positions as officers of Verizon or any Verizon Subsidiary in which they serve.

Section 2.4 Special Dividend; New Financing; Debt Exchange.

(a) The Spinco Board will establish a Special Dividend record date and will authorize Spinco to pay out of funds legally available therefor the Special Dividend on the Distribution Date to Verizon, as the holder of record of Spinco Common Stock as of the specified record date. The Special Dividend will be paid to Verizon on the Distribution Date immediately prior to the Distribution.

(b) At or prior to the Distribution Date, Spinco will (i) enter into the agreements associated with the New Financing and use a portion of the proceeds thereof to pay the Special Dividend and (ii) distribute Spinco Securities to Verizon. The principal amount of the Spinco Securities will be an amount equal to (x) \$1.7 billion less (y) the amount of the Special Dividend, with the precise aggregate principal amount of the Spinco Securities to be set forth on a certificate to be delivered by Verizon to Spinco, with a copy to the Company, no later than 30 days prior to the Distribution Date.

(c) The rights and obligations of the parties in respect of pursuing and obtaining the New Financing are set forth in the Merger Agreement and no additional rights or obligations shall be deemed to arise under this Agreement in connection therewith.

(d) The parties acknowledge that Verizon intends to enter into arrangements prior to or following the Distribution Date providing for the exchange of outstanding Spinco Securities for debt obligations of Verizon or its Affiliates or the transfer of Spinco Securities to other Verizon creditors or stockholders (the "Debt Exchange"), provided that the parties further acknowledge that (i) if Verizon desires to consummate the Debt Exchange concurrently with the Distribution, Verizon shall not be obligated to consummate the Distribution unless Verizon shall have entered into such arrangements and the Debt Exchange shall be consummated concurrently with the Distribution and (ii) if Verizon elects not to pursue the Debt Exchange at the time of the Distribution or thereafter, Verizon may dispose of the Spinco Securities in another manner, but will in any event dispose of all of its interest in the Spinco Securities within 360 days following the Distribution Date.

(e) At Verizon's election, to be exercised by Verizon no later than 15 days prior to the Distribution Date (the "Election"), notwithstanding any other provision of the Transaction Agreements, the following alternative transaction structure may be adopted in lieu of the transaction steps currently described in the Transaction Documents:

(i) the entity referred to as Spinco shall be formed by Verizon New England, instead of by Verizon;

(ii) the Special Dividend shall be a dividend paid by Spinco to Verizon New England, instead of being paid by Spinco to Verizon;

(iii) Spinco Securities shall be notes issued by Spinco to Verizon New England, instead of being issued by Spinco to Verizon,

(iv) the Debt Exchange shall be undertaken by Verizon New England with its creditors or stockholders, instead of being undertaken by Verizon with Verizon's creditors or stockholders,

(v) Verizon and Verizon New England shall transfer or cause to be transferred to Spinco (or to Subsidiaries thereof) all of the Spinco Assets and Liabilities in such a manner that, immediately prior to the Merger, no assets or liabilities (other than stock or other equity interests in Subsidiaries) shall be held directly by Spinco; and

(vi) Spinco shall be distributed in the Internal Spinoffs and in the Distribution and shall participate in the Merger.

If Verizon makes the Election, all applicable provisions of this Agreement and the other Transaction Agreements shall be amended by the parties thereto as appropriate to reflect the Election. For example, the definition of the Special Dividend shall be revised to refer to Verizon New England's estimate of its tax basis in Spinco, instead of Verizon's estimate of its tax basis in Spinco.

(f) The parties recognize that Spinco and the Company desire that as of the time of the distribution the amount of Current Assets exceeds the amount of Current Liabilities and therefore Verizon agrees to use commercially reasonable efforts to conduct the Spinco Business in a manner that would cause Current Assets to exceed Current Liabilities as of the time of the Distribution.

(g) Verizon shall pay all Spinco Debt Expenses (i) on the Closing Date or (ii) on such subsequent date when the fees and expenses payable to lenders or the lenders' advisors pursuant to the terms of the New Financing (or Alternative Financing) in connection with the consummation of the New Financing (or Alternative Financing), other than the Spinco Debt Expenses, are paid by the Surviving Corporation.

### ARTICLE III

#### Conditions

Section 3.1 Conditions to the Distribution. The obligations of Verizon pursuant to this Agreement to effect the Distribution shall be subject to the fulfillment (or waiver by Verizon) on or prior to the Distribution Date (provided that certain of such conditions will occur substantially contemporaneous with the Distribution) of each of the conditions set forth in Section 8.1 and Section 8.2 of the Merger Agreement, except the consummation of the Contribution and the Distribution and the other transactions contemplated hereby.

Section 3.2 Waiver of Conditions. To the extent permitted by applicable Law, the condition set forth in Section 3.1 hereof may be waived in the sole discretion of Verizon. The condition set forth in Section 3.1 is for the sole benefit of Verizon and shall not give rise to or create any duty on the part of Verizon to waive or not waive any such conditions.

## ARTICLE IV

### The Distribution

Section 4.1 Record Date and Distribution Date. Subject to the satisfaction, or to the extent permitted by applicable Law, waiver, of the conditions set forth in Section 3.1, the Board of Directors of Verizon, consistent with the Merger Agreement and Delaware law, shall establish the Record Date and the Distribution Date and any necessary or appropriate procedures in connection with the Distribution.

Section 4.2 Spinco Reclassification. Immediately prior to the Distribution Date, Verizon and Spinco shall take all actions necessary to issue to Verizon such number of shares of Spinco Common Stock, including, if applicable, by reclassifying the outstanding shares of Spinco Common Stock or by declaring a dividend payable to Verizon in shares of Spinco Common Stock (the “Reclassification”), for the purpose of increasing the outstanding shares of Spinco Common Stock such that, immediately prior to the Distribution Date, Spinco will have an aggregate number of shares of Spinco Common Stock to be determined by Verizon and Spinco prior to the Distribution Date, all of which will be held by Verizon.

Section 4.3 The Agent. Prior to the Distribution Date, Verizon shall enter into an agreement with the Agent on terms reasonably satisfactory to Spinco and the Company providing for, among other things, the distribution to the holders of Verizon Common Stock in accordance with this Article IV of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution will be converted pursuant to the Merger.

Section 4.4 Delivery of Shares to the Agent. At or prior to the Distribution Date, Verizon shall authorize the book-entry transfer by the Agent of all of the outstanding shares of Spinco Common Stock to be distributed in connection with the Distribution. After the Distribution Date, upon the request of the Agent, Spinco shall provide all book-entry transfer authorizations that the Agent shall require in order to effect the distribution of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution will be converted pursuant to the Merger.

Section 4.5 The Distribution. Upon the terms and subject to the conditions of this Agreement, following consummation of the Reclassification, Verizon shall declare and pay the Distribution consisting of:

(i) to the holders of shares of Verizon Common Stock as of the Record Date, such percentage of the total number of shares of Spinco Common Stock held by Verizon as of the time of the Distribution as is equal to a fraction, the numerator of which is the number of Total Verizon Shares held by such holders as of the Record Date and the denominator of which is the number of Total Verizon Shares; and

(ii) to the holders of shares of Verizon Common Stock who acquired such Verizon Common Stock pursuant to the exercise of Record Date Options, such percentage of the total number of shares of Spinco Common Stock held by Verizon as of the time of the Distribution as is equal to a fraction, the numerator of which is the number of Total Verizon Shares held by such holders that were acquired pursuant to the exercise of Record Date Options and the denominator of which is the number of Total Verizon Shares.

At the Effective Time (as defined in the Merger Agreement), all such shares of Spinco Common Stock shall be converted into the right to receive shares of Company Common Stock pursuant to, and in accordance with the terms of, the Merger Agreement, immediately following which the Agent shall distribute by book-entry transfer in respect of the outstanding shares of Verizon Common Stock held by (x) holders of record of Verizon Common Stock on the Record Date and (y) persons who acquired Verizon Common Stock pursuant to the exercise of Record Date Options, all of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution have been converted pursuant to the Merger. The Agent shall make cash payments in lieu of any fractional shares resulting from the conversion of Spinco Common Stock into Company Common Stock in the Merger pursuant to the terms of the Merger Agreement.

## ARTICLE V

### Post Closing Adjustments

#### Section 5.1 Post-Closing Adjustments.

(a) Within 90 days after the Closing Date, Verizon shall cause to be prepared and delivered to the Surviving Corporation a statement derived from the books and records of Verizon and its Affiliates (the "Closing Statement"), setting forth Distribution Date Working Capital, including reasonable detail regarding the calculation thereof. The Distribution Date Working Capital shall be calculated in accordance with GAAP, consistently applied, using the same accounting principles, methodologies and policies used in the preparation of the Spinco Audited Balance Sheet, pro forma for the

completion of the Contribution, as modified by the principles, methodologies and policies set forth in Section 5.1 of the Disclosure Letter.

(b) Verizon shall give the Surviving Corporation and each of its Representatives access at all reasonable times and on reasonable advance notice to Verizon's books and records to the extent reasonably required to permit the Surviving Corporation to review the Closing Statement. Within 60 days after receipt of the Closing Statement, Surviving Corporation shall, in a written notice to Verizon, describe in reasonable detail any proposed adjustments to the items set forth on the Closing Statement and the reasons therefor (it being agreed that the only permitted reasons for such adjustments shall be mathematical error or the failure to compute items set forth therein in accordance with this Article V). Surviving Corporation shall have the right to discuss the Closing Statement with Verizon's accountants, it being understood that in connection with such discussion, Surviving Corporation will not have access to the work papers of such accountants. If Verizon shall not have received a notice of proposed adjustments (provided that any and all proposed adjustments to the calculation of Distribution Date Working Capital must in the aggregate exceed One Hundred Thousand Dollars (\$100,000) or more) within such 60 day period, Surviving Corporation will be deemed to have accepted irrevocably such Closing Statement.

(c) Verizon and Surviving Corporation shall negotiate in good faith to resolve any disputes over any proposed adjustments to the Closing Statement, during the 30 days following Verizon's receipt of the proposed adjustments. If the parties are unable to resolve such dispute within such 30 day period, then, at the written request of either party (the "Dispute Resolution Request"), each party shall appoint a knowledgeable, responsible representative to meet in person and negotiate in good faith to resolve the disputed matters. The parties intend that these negotiations be conducted by experienced business representatives empowered to decide the issues. Such negotiations shall take place during the 15 day period following the date of the Dispute Resolution Request. If the business representatives resolve the dispute, such resolution shall be memorialized in a written agreement (the "Final Closing Statement"), executed within five days thereafter. If the business representatives do not resolve the dispute, within five days Surviving Corporation and Verizon shall jointly select a nationally recognized independent public accounting firm (which is not the regular independent public accounting firm of either Verizon or Surviving Corporation) to arbitrate and resolve such disputes, which resolution shall be final, binding and enforceable in accordance with Section 10.12. If Surviving Corporation and Verizon do not jointly select such firm within five days, a nationally recognized accounting firm shall be selected by lot from among those nationally recognized firms which are not the regular firm of either Verizon or Surviving Corporation. Such accounting firm shall arbitrate and resolve such dispute based solely on the written submission forwarded by Verizon and Surviving Corporation and shall only consider whether the Closing Statement was prepared in accordance with the standards set forth herein and (only with respect to disputed matters submitted to the



accounting firm) whether and to what extent the Closing Statement requires adjustment. The fees and expenses of such accounting firm shall be shared by Surviving Corporation and Verizon in inverse proportion to the relative amounts of the disputed amount determined to be for the account of Surviving Corporation and Verizon, respectively.

(d) If the amount of the Distribution Date Working Capital, as set forth in the Final Closing Statement (the “Final Distribution Date Working Capital”) exceeds the Target Working Capital, the Surviving Corporation shall pay to Verizon an amount equal to such excess and if the amount of the Final Distribution Date Working Capital is less than the Target Working Capital, Verizon shall pay to the Surviving Corporation an amount equal to such deficit.

(e) Any amounts payable pursuant to Section 5.1(d) above shall be made via wire transfer of immediately available funds within five Business Days after the date upon which the Closing Statement becomes a Final Closing Statement. All such amounts shall bear interest from the Distribution Date through but excluding the date of payment, at the Applicable Rate. Such interest shall accrue daily on the basis of a 365 day year calculated for the actual number of days for which payment is due and such payment shall be payable together with the amount payable pursuant to this Section 5.1.

## ARTICLE VI

### Transaction Agreements

Section 6.1 Transaction Agreements. Subject to the terms and conditions set forth herein no later than the Distribution Date, Verizon and Spinco (and/or other Subsidiaries of Verizon, as applicable) shall each execute and deliver each of the Transaction Agreements to which it is a party.

## ARTICLE VII

### Additional Covenants

Section 7.1 Survival; Exclusive Remedy. The covenants and agreements contained herein to be performed following the Closing shall survive the Effective Time in accordance with their respective terms and all other terms shall expire as of the Effective Time (other than the obligation to convey the Spinco Assets and the Spinco Liabilities in accordance with Section 2.1). The parties hereby agree that the sole and exclusive remedy for any claim (whether such claim is framed in tort, contract or otherwise), arising out of a breach of this Agreement shall be asserted pursuant to Section 10.2 of the Merger Agreement (or if this Agreement and the Merger Agreement are terminated, Section 9.2 of the Merger Agreement) and only to the extent expressly contemplated therein. For the avoidance of doubt, Section 10.2 of the Merger Agreement is acknowledged to provide for equitable relief to the extent the requisite showing is

made under applicable law of the inadequacy of the payment of money damages thereunder.

Section 7.2 Mutual Release. Effective as of the Distribution Date and except as otherwise specifically set forth in the Transaction Agreements, each of Verizon, on behalf of itself and each of the Verizon Subsidiaries, on the one hand, and Spinco, on behalf of itself and each of the Spinco Subsidiaries, on the other hand, hereby releases and forever discharges the other party and its Subsidiaries, and its and their respective officers, directors, managers or other persons acting in a similar capacity, agents, record and beneficial security holders (including trustees and beneficiaries of trusts holding such securities), advisors and Representatives (in each case, in their respective capacities as such) and their respective heirs, executors, administrators, successors and assigns, of and from all debts, demands, actions, causes of action, suits, accounts, covenants, contracts, agreements, damages, claims and other Liabilities whatsoever of every name and nature, both in law and in equity, which the releasing party has or ever had or ever will have, which exist or arise out of or relate to events, circumstances or actions taken by such other party occurring or failing to occur or any conditions existing at or prior to the Distribution Date whether or not known on the Distribution Date, including in connection with the transactions and all other activities to implement the Contribution and the Distribution; provided, however, that the foregoing general release shall not apply to (i) any Liabilities or other obligations (including Liabilities with respect to payment, reimbursement, indemnification or contribution) under the Merger Agreement, this Agreement or the other Transaction Agreements or any Contracts (as defined therein) contemplated thereby, or assumed, transferred, assigned, allocated or arising under any of the Merger Agreement, this Agreement or the other Transaction Agreements or any Contract contemplated thereby in each case subject to the terms thereof (including any Liability that the parties may have with respect to payment, performance, reimbursement, indemnification or contribution pursuant to the Merger Agreement, this Agreement or any other Transaction Agreement or any Contract contemplated thereby), and the foregoing release will not affect any party's right to enforce the Merger Agreement, this Agreement or the other Transaction Agreements or the Contracts contemplated thereby in accordance with their terms or (ii) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 7.2 (provided, that the parties agree not to bring suit or permit any of their Subsidiaries to bring suit against any such Person with respect to any Liability to the extent such Person would be released with respect to such Liability by this Section 7.2 but for this clause (ii)). Each party to this Agreement agrees, for itself and each member of its Group, not to make any claim or demand or commence any action or assert any claim against any member of the other Party's Group with respect to the Liabilities released pursuant to this Section 7.2.

Section 7.3 Intercompany Agreements; Intercompany Accounts.

(a) Except for the Transaction Agreements, any agreements entered into pursuant to the Merger Agreement including without limitation pursuant to Section 7.8 thereof, and the Transferred Affiliate Arrangements, all contracts, licenses, agreements, commitments and other arrangements, formal and informal, between any member of the Verizon Group, on the one hand, and any member of the Spinco Group, on the other hand, in existence as of the Distribution Date, shall terminate as of the close of business on the day prior to the Distribution Date. No such terminated agreement (including any provision thereof that purports to survive termination) shall be of any further force or effect after the Distribution Date and all parties shall be released from all obligations thereunder. From and after the Distribution Date, no member of either Group shall have any rights under any such terminated agreement with any member of the other Group, except as specifically provided herein or in the other Transaction Agreements.

(b) Effective immediately prior to the Distribution Date, all intercompany cash management loan balances between Verizon and the Verizon Subsidiaries, on one hand, and Spinco and the Spinco Subsidiaries, on the other hand, shall be canceled.

Section 7.4 Guarantee Obligations and Liens.

(a) Verizon and Spinco shall, upon Verizon's request, cooperate, and shall cause their respective Groups to cooperate and use their respective reasonable best efforts to: (x) terminate, or to cause Spinco, as the appropriate member of the Spinco Group, to be substituted in all respects for Verizon or the applicable member of the Verizon Group in respect of, all obligations of any member of the Verizon Group under any Spinco Liabilities identified by Verizon for which such member of the Verizon Group may be liable, as guarantor, original tenant, primary obligor or otherwise (including any Spinco financial instrument) ("Verizon Guarantees"), and (y) terminate, or to cause Spinco Assets to be substituted in all respects for any Verizon Assets in respect of, any liens or encumbrances identified by Verizon on Verizon Assets which are securing any Spinco Liabilities. If such a termination or substitution is not effected by the Distribution Date, without the prior written consent of Verizon, from and after the Distribution Date, Spinco shall not, and shall not permit any member of the Spinco Group to, renew or extend the term of, increase its obligations under, or transfer to a third party, any loan, lease, contract or other obligation for which a member of the Verizon Group is or may be liable or for which any Verizon Asset is or may be encumbered unless all obligations of the Verizon Group and all liens and encumbrances on any Verizon Asset with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to Verizon.

(b) Verizon and Spinco shall, upon Spinco's request, cooperate, and shall cause their respective Groups to cooperate and use their respective reasonable best efforts to: (x) terminate, or to cause a member of the Verizon Group to be substituted in all

respects for any member of Spinco Group in respect of, all obligations of any member of the Spinco Group under any Verizon Liabilities for which such member of the Spinco Group may be liable, as guarantor, original tenant, primary obligor or otherwise (including any Verizon financial instrument) (“Spinco Guarantees”), and (y) terminate, or to cause Verizon Assets to be substituted in all respects for any Spinco Assets in respect of, any liens or encumbrances on Spinco Assets which are securing any Verizon Liabilities. If such a termination or substitution is not effected by the Distribution Date, without the prior written consent of Spinco, from and after the Distribution Date, Verizon shall not, and shall not permit any member of the Verizon Group to, renew or extend the term of, increase its obligations under, or transfer to a third party, any loan, lease, contract or other obligation for which a member of the Spinco Group is or may be liable or for which any Spinco Asset is or may be encumbered unless all obligations of the Spinco Group and all liens and encumbrances on any Spinco Asset with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to Spinco.

#### Section 7.5 Insurance.

(a) Notwithstanding any other provision of this Agreement, from and after the Distribution Date, Spinco and the Spinco Subsidiaries will have no rights with respect to any Policies, except that (i) Verizon will use its reasonable best efforts, at Spinco’s request, to assert claims on behalf of Spinco and the Spinco Subsidiaries for any loss, liability or damage identified by Spinco with respect to the Spinco Assets or Spinco Liabilities under Policies with third-party insurers which are “occurrence basis” insurance policies (“Occurrence Basis Policies”) arising out of insured incidents occurring from the date coverage thereunder first commenced until the Distribution Date to the extent that the terms and conditions of any such Occurrence Basis Policies and agreements relating thereto so allow and (ii) Verizon will use its reasonable best efforts to obtain from the relevant third-party insurer an assignment to Spinco of any rights to prosecute claims identified by Spinco properly asserted with respect to Spinco Assets or Spinco Liabilities with an insurer prior to the Distribution Date under Policies with third-party insurers which are insurance policies written on a “claims made” basis (“Claims Made Policies”) arising out of insured incidents occurring from the date coverage thereunder first commenced until the Distribution Date to the extent that the terms and conditions of any such Claims Made Policies and agreements relating thereto so allow; provided, that in the case of both clauses (i) and (ii) above, (A) all of Verizon’s and each Verizon Subsidiary’s reasonable out-of-pocket costs and expenses incurred in connection with the foregoing are promptly paid by Spinco (it being agreed that Verizon will not incur material expenditures above reasonable amounts specified by Spinco unless authorized by Spinco), (B) Verizon and the Verizon Subsidiaries may, at any time, without liability or obligation to Spinco or any Spinco Subsidiary (other than as set forth in Section 7.5(c)), amend, commute, terminate, buy-out, extinguish liability under or otherwise modify any Occurrence Basis Policies or Claims Made Policies (and such claims shall be subject to

any such amendments, commutations, terminations, buy-outs, extinguishments and modifications), and (C) any such claim will be subject to all of the terms and conditions of the applicable Policy.

(b) Verizon will use its reasonable best efforts to recover damages or to assist Spinco in connection with any efforts by Spinco to recover damages, as the case may be, under any Policy with respect to the Spinco Business for incidents occurring prior to the Distribution Date; provided, that all of Verizon's reasonable out-of-pocket costs and expenses incurred in connection with the foregoing are promptly paid by Spinco (it being agreed that Verizon will not incur material expenditures above reasonable amounts specified by Spinco unless authorized by Spinco).

(c) If an extended reporting period for Claims Made Policies is available for Verizon to purchase, if the Surviving Corporation requests following the Closing Date, Verizon shall cause to be purchased at the Surviving Corporation's expense an extended reporting period with respect to such insurance for the benefit of Spinco and the Spinco Subsidiaries as insureds.

(d) In the event that a Policy provides coverage for both Verizon and/or a Verizon Subsidiary, on the one hand, and the Spinco Business, Spinco Assets and Spinco Liabilities, on the other hand, relating to the same occurrence: (i) Verizon agrees to jointly defend Spinco and/or any applicable Spinco Subsidiaries where no conflicts exist between the parties; and (ii) Spinco shall pay that portion of all out-of-pocket fees and expenses, in excess of any insurance and/or insurance reimbursement, attributable to the Spinco Assets and Spinco Liabilities.

(e) The obligations of Verizon and its Subsidiaries under this Section 7.5 shall terminate on the seventh anniversary of the Effective Time.

**Section 7.6 Subsequent Transfers.** In the event that at any time during the 18-month period following the Distribution Date, a member of the Verizon Group becomes aware that it possesses any Spinco Assets (except (i) for assets, rights and properties provided by members of the Verizon Group pursuant to the Transition Services Agreement or (ii) as otherwise contemplated by the Transaction Agreements), Verizon shall cause the prompt transfer of such assets, rights or properties to Spinco. Prior to any such transfer, Verizon shall hold such Spinco Asset in trust for Spinco. In the event that at any time during the 18-month period following the Distribution Date, a member of the Spinco Group becomes aware that it possesses any Verizon Assets (except as otherwise contemplated by the Transaction Agreements), the Spinco Group shall cause the prompt transfer of such assets, rights or properties to Verizon or a member of the Verizon Group. Prior to any such transfer, the Spinco Group shall hold such Verizon Asset in trust for Verizon.

Section 7.7 Further Assurances. From time to time after the Distribution Date, and for no further consideration, each of the parties shall execute, acknowledge and deliver such assignments, transfers, consents, assumptions and other documents and instruments and take such other actions as may be necessary to consummate and make effective the transactions contemplated by this Agreement; provided, that no such documents or instruments shall impose obligations on any party broader than or additive to those in any Transaction Agreement.

## ARTICLE VIII

### Access to Information

Section 8.1 Provision of Information. Notwithstanding anything herein to the contrary, the parties agree that the obligation of Verizon to deliver Information that is part of the Spinco Assets to Spinco from and after the Distribution will be governed by this Article VIII. Subject to the terms of this Article VIII,

(a) No later than five Business Days following the Closing Date, Verizon shall deliver to Spinco at the address specified for notices to the Company in the Merger Agreement (or to such other address in the continental United States as may be designated by the Company to Verizon no less than 10 days prior to the Distribution Date), (i) copies of the Information constituting Spinco Assets that are continuing property records, (ii) copies of the Information constituting Spinco Assets that is contained in the data room located in Irving, Texas on the date hereof, and such additional Information constituting Spinco Assets that is in the same general categories as the existing Information in such data room and is added to the data room by Verizon (using reasonable commercial efforts to do so) immediately prior to the Closing Date and (iii) minute books and organizational documents of Spinco and the Spinco Subsidiaries.

(b) Following the Closing Date, Verizon shall deliver or make available to Spinco from time to time upon the request of Spinco following the Distribution Date Information not provided pursuant to Section 8.1(a) relating directly to the Spinco Assets, the Spinco Business, or the Spinco Liabilities that consist of: (i) active Contracts, (ii) active litigation files and (iii) all other Information that constitutes Spinco Assets or relates directly to any Spinco Liability, in each case to the extent they are material to the conduct of the Spinco Business following the Distribution Date. Verizon in good faith will also consider providing upon the request of Spinco from time to time following the Distribution Date other Information relating directly to the Spinco Assets, the Spinco Business or the Spinco Liabilities, but it shall be under no obligation to do so. Subject to Section 8.5, Verizon may retain complete and accurate copies of such Information. The costs and expenses incurred in the identification, isolation and provision of Information to the Spinco Group shall be paid for by the Spinco Group, provided that to the extent any Information exists in paper form, other than pre-Distribution billing Information, Verizon shall provide copies of same without charge. Information shall be provided as

promptly as practicable upon request, with due regard for other commitments of Verizon personnel and the materiality of the information to Spinco (including the need to comply with any “Order” or any “Law” (each as defined in the Merger Agreement)).

(c) Notwithstanding anything in this Agreement to the contrary, (x) the provision of returns and other Information relating to Tax matters shall be governed by the Tax Sharing Agreement and the Transition Services Agreement and not this Agreement, (y) the provision of Information relating to personnel and personnel matters will be governed by the Transition Services Agreement and the Employee Matters Agreement and not this Agreement and (z) the ownership and use of any Information that constitutes an Intellectual Property Asset shall be governed by the Intellectual Property Agreement.

#### Section 8.2 Privileged Information.

(a) Each party hereto acknowledges that: (i) each of Verizon and Spinco (and the members of the Verizon Group and the Spinco Group, respectively) has or may obtain Privileged Information; (ii) there are and/or may be a number of Litigation Matters affecting each or both of Verizon and Spinco; (iii) both Verizon and Spinco have a common legal interest in Litigation Matters, in the Privileged Information and in the preservation of the confidential status of the Privileged Information, in each case relating to the pre-Distribution Spinco Business or Verizon Business or, in the case of the Spinco Group, relating to or arising in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date; and (iv) both Verizon and Spinco intend that the transactions contemplated hereby and by the Merger Agreement and the other Transaction Agreements and any transfer of Privileged Information in connection therewith shall not operate as a waiver of any potentially applicable privilege.

(b) Each of Verizon and Spinco agrees, on behalf of itself and each member of the Group of which it is a member, not to disclose or otherwise waive any privilege attaching to any Privileged Information relating to the pre-Distribution Spinco Business or Verizon Business, as applicable, or, in the case of the Spinco Group, relating to or arising in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date, without providing prompt written notice to and obtaining the prior written consent of the other, which consent shall not be unreasonably withheld, conditioned or delayed and shall not be withheld, conditioned or delayed if the other party certifies that such disclosure is to be made in response to a likely threat of suspension or debarment or similar action; provided, however, that Verizon and Spinco shall not be required to give any such notice or obtain any such consent and may make such disclosure or waiver with respect to Privileged Information if such Privileged Information relates solely to the pre-Distribution Spinco Business or Verizon Business, as applicable. In the event of a disagreement between any member of the Verizon Group and any member of the Spinco Group concerning the reasonableness of withholding such consent, no disclosure shall be made prior to a resolution of such disagreement by a court

of competent jurisdiction, provided that the limitations in this sentence shall not apply in the case of disclosure required by law and so certified as provided in the first sentence of this paragraph.

(c) Upon any member of the Verizon Group or any member of the Spinco Group receiving any subpoena or other compulsory disclosure notice from a court, other governmental agency or otherwise which requests disclosure of Privileged Information, in each case relating to pre-Distribution Spinco Business or Verizon Business, as applicable, or, in the case of the Spinco Group, relating to or arising in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date, the recipient of the notice shall as promptly as practicable provide to the other Group (following the notice provisions set forth herein) a copy of such notice, the intended response, and all materials or information relating to the other Group that might be disclosed and the proposed date of disclosure. In the event of a disagreement as to the intended response or disclosure, unless and until the disagreement is resolved as provided in paragraph (b) of this Section, the parties shall cooperate to assert all defenses to disclosure claimed by either party's Group, and shall not disclose any disputed documents or information until all legal defenses and claims of privilege have been finally determined, except as otherwise required by a court order requiring such disclosure.

Section 8.3 Production of Witnesses. Subject to Section 8.2, after the Distribution Date, each of Verizon and Spinco shall, and shall cause each member of its respective Group to make available to Spinco or Verizon or any member of the Spinco Group or of the Verizon Group, as the case may be, upon reasonable prior written request, such Group's directors, managers or other persons acting in a similar capacity, officers, employees and agents as witnesses to the extent that any such Person may reasonably be required in connection with any Litigation Matters, administrative or other proceedings in which the requesting party may from time to time be involved and relating to the pre-Distribution Spinco Business or Verizon Business, as applicable, or, in the case of the Spinco Group, relating to or in connection with the relationship among Verizon and its Subsidiaries on or prior to the Distribution Date. The costs and expenses incurred in the provision of such witnesses shall be paid by the party requesting the availability of such persons.

Section 8.4 Retention of Information. Except as otherwise agreed in writing, or as otherwise provided in the other Transaction Agreements, each of Verizon and Spinco shall, and shall cause the members of the Group of which it is a member to, retain all Information in such party's Group's possession or under its control, relating directly and primarily to the pre-Distribution business, Assets or Liabilities of the other party's Group for so long as such Information is retained pursuant to such party's general document retention policies as of such time or such later date as may be required by law, except that if, prior to the expiration of such period, any member of either party's Group



wishes to destroy or dispose of any such Information that is at least three years old, prior to destroying or disposing of any of such Information, (a) the party whose Group is proposing to dispose of or destroy any such Information shall provide no less than 30 days' prior written notice to the other party, specifying the Information proposed to be destroyed or disposed of, and (b) if, prior to the scheduled date for such destruction or disposal, the other party requests in writing that any of the Information proposed to be destroyed or disposed of be delivered to such other party, the party whose Group is proposing to dispose of or destroy such Information promptly shall arrange for the delivery of the requested Information to a location specified by, and at the expense of, the requesting party. This Section 8.4 shall not apply to Information referred to in clauses (x) and (y) Section 8.1(c).

Section 8.5 Confidentiality. Subject to Section 8.2, which shall govern Privileged Information, from and after the Distribution Date, each of Verizon and Spincoco shall hold, and shall use commercially reasonable efforts to cause its Affiliates and Representatives to hold, in strict confidence all Information concerning the other party's Group obtained by it or furnished to it by such other party's Group pursuant to this Agreement or the other Transaction Agreements and shall not release or disclose such Information to any other Person, except its Affiliates and Representatives, who shall be advised of the provisions of this Section 8.5, and each party shall be responsible for a breach by any of its Affiliates or Representatives; provided, however, that any member of the Verizon Group or the Spincoco Group may disclose such Information to the extent that (a) disclosure is compelled by judicial or administrative process or, based on advice of such Person's counsel, by other requirements of law or regulation including without limitation filing requirements with the U.S. Securities and Exchange Commission, or (b) such party can show that such Information was (i) in the public domain through no fault of such Person or (ii) lawfully acquired by such Person from another source after the time that it was furnished to such Person by the other party's Group, and not acquired from such source subject to any confidentiality obligation on the part of such source known to the acquiror. Notwithstanding the foregoing, each of Verizon and Spincoco shall be deemed to have satisfied its obligations under this Section 8.5 with respect to any Information (other than Privileged Information) if it exercises the same care with regard to such Information as it takes to preserve confidentiality for its own similar Information.

Section 8.6 Cooperation with Respect to Government Reports and Filings. Verizon, on behalf of itself and each member of the Verizon Group, agrees to provide any member of the Spincoco Group, and Spincoco, on behalf of itself and each member of the Spincoco Group, agrees to provide any member of the Verizon Group, with such cooperation and Information (with regard to Verizon and the Verizon Group, with respect to the Spincoco Business only) as may be reasonably requested by the other in connection with the preparation or filing of any government report or other government filing contemplated by this Agreement or in conducting any other government proceeding relating to the pre-Distribution business of the Verizon Group or the Spincoco Group,

Assets or Liabilities of either Group or relating to or in connection with the relationship between the Groups on or prior to the Distribution Date. Such cooperation and Information shall include promptly forwarding copies of appropriate notices, forms and other communications received from or sent to any government authority which relate to the Verizon Group, in the case of the Spinco Group, or the Spinco Group, in the case of the Verizon Group. All cooperation provided under this section shall be provided at the expense of the party requesting such cooperation. Each party shall make its employees and facilities available during normal business hours and on reasonable prior notice to provide explanation of any documents or Information provided hereunder.

## ARTICLE IX

### No Representations or Warranties

Section 9.1 No Representations or Warranties. Except as expressly set forth in any Transaction Agreement, Spinco and Verizon understand and agree that no member of the Verizon Group is representing or warranting to Spinco or any member of the Spinco Group in any way as to the Spinco Assets, the Spinco Business or the Spinco Liabilities. Except as expressly set forth in the Merger Agreement, Verizon and Spinco understand and agree that no member of the Spinco Group is representing or warranting to Verizon or any member of the Verizon Group in any way as to the Verizon Assets, the Verizon Business or the Verizon Liabilities.

## ARTICLE X

### Miscellaneous

Section 10.1 Complete Agreement. This Agreement, the Exhibits and the Disclosure Letter hereto, the other Transaction Agreements and other documents referred to herein shall constitute the entire agreement between the parties hereto with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. The Disclosure Letter delivered pursuant hereto is expressly made a part of, and incorporated by reference into, this Agreement. In the case of any conflict between the terms of this Agreement and the terms of any other Transaction Agreement, the terms of such other Transaction Agreement shall be applicable.

Section 10.2 Expenses. All fees and expenses and any other costs incurred by the parties in connection with the transactions contemplated hereby and by the Transaction Agreements shall be paid as set forth in Section 11.1 of the Merger Agreement.

Section 10.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflicts of laws principles.

Section 10.4 Notices. Prior to the Closing under the Merger Agreement, all notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following Business Day or if delivered by hand the following Business Day), (b) confirmed delivery of a standard overnight courier or when delivered by hand or (c) the expiration of five Business Days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the parties at such addresses as may be specified by the parties from time to time. Following the Closing notices shall be sent to Verizon and the Company (as successor by merger to Spinco) in accordance with Section 11.2 of the Merger Agreement, or to such other address as any party hereto may have furnished to the other parties by a notice in writing in accordance with this Section.

Section 10.5 Amendment and Modification. This Agreement may be amended, modified or supplemented, and any provision hereunder may be waived, prior to the Effective Time, only by a written agreement signed by the parties hereto.

Section 10.6 Successors and Assigns; No Third-Party Beneficiaries. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns, but neither this Agreement nor any of the rights, interests and obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties and a Company Consent. This Agreement is solely for the benefit of Verizon, Spinco and the Company and their respective Subsidiaries and Affiliates and is not intended to confer upon any other Persons any rights or remedies hereunder.

Section 10.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 10.8 Interpretation. The Article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties hereto and shall not in any way affect the meaning or interpretation of this Agreement.

Section 10.9 Severability. If any provision of this Agreement or the application thereof to any person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been

held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party.

Section 10.10 References; Construction. References to any “Article,” “Exhibit,” or “Section,” without more, are to Articles, Exhibits and Sections to or of this Agreement. Unless otherwise expressly stated, clauses beginning with the term “including” or similar words set forth examples only and in no way limit the generality of the matters thus exemplified.

Section 10.11 Termination. Notwithstanding any provision hereof, in the event of termination of the Merger Agreement, this Agreement may be terminated and the Distribution abandoned at any time prior to the Distribution by and in the sole discretion of Verizon. In the event of such termination, no party hereto or to any other Transaction Agreement (other than the Merger Agreement to the extent provided therein) shall have any Liability to any Person by reason of this Agreement or any other Transaction Agreement (other than the Merger Agreement to the extent provided therein).

Section 10.12 Consent to Jurisdiction and Service of Process. THE PARTIES AGREE THAT IRREPARABLE DAMAGE WOULD OCCUR IN THE EVENT THAT ANY OF THE PROVISIONS OF THIS AGREEMENT WERE NOT PERFORMED IN ACCORDANCE WITH THEIR SPECIFIC TERMS OR WERE OTHERWISE BREACHED. IT IS ACCORDINGLY AGREED THAT THE PARTIES SHALL BE ENTITLED TO AN INJUNCTION OR INJUNCTIONS TO PREVENT BREACHES OF THIS AGREEMENT AND TO ENFORCE SPECIFICALLY THE TERMS AND PROVISIONS OF THIS AGREEMENT IN ANY COURT OF THE UNITED STATES LOCATED IN THE STATE OF NEW YORK, THIS BEING IN ADDITION TO ANY OTHER REMEDY TO WHICH THEY ARE ENTITLED AT LAW OR IN EQUITY. IN ADDITION, EACH OF THE PARTIES HERETO (A) CONSENTS TO SUBMIT ITSELF TO THE PERSONAL JURISDICTION OF ANY FEDERAL COURT LOCATED IN THE STATE OF NEW YORK IN THE EVENT ANY DISPUTE ARISES OUT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, (B) AGREES THAT IT WILL NOT ATTEMPT TO DENY OR DEFEAT SUCH PERSONAL JURISDICTION BY MOTION OR OTHER REQUEST FOR LEAVE FROM ANY SUCH COURT AND (C) AGREES THAT IT WILL NOT BRING ANY ACTION RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IN ANY COURT OTHER THAN A FEDERAL COURT SITTING IN THE STATE OF NEW YORK. NOTWITHSTANDING THIS SECTION 10.12, ANY DISPUTE REGARDING THE CLOSING STATEMENT SHALL BE RESOLVED IN ACCORDANCE WITH ARTICLE V HEREOF; PROVIDED THAT SUCH ARTICLE V MAY BE ENFORCED BY EITHER PARTY IN ACCORDANCE WITH TERMS OF THIS SECTION 10.12.

Section 10.13 Waivers. Except as provided in this Agreement, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder shall not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

Section 10.14 Waiver of Jury Trial. Each of the parties hereto irrevocably and unconditionally waives all right to trial by jury in any litigation, claim, action, suit, arbitration, inquiry, proceeding, investigation or counterclaim (whether based in contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the parties hereto in the negotiation, administration, performance and enforcement thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

VERIZON COMMUNICATIONS INC.

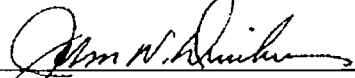
By: \_\_\_\_\_  
Name:  
Title:

NORTHERN NEW ENGLAND  
SPINCO INC.

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

By:   
Name: John W. Diercksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

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

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**VERIZON COMMUNICATIONS INC.**

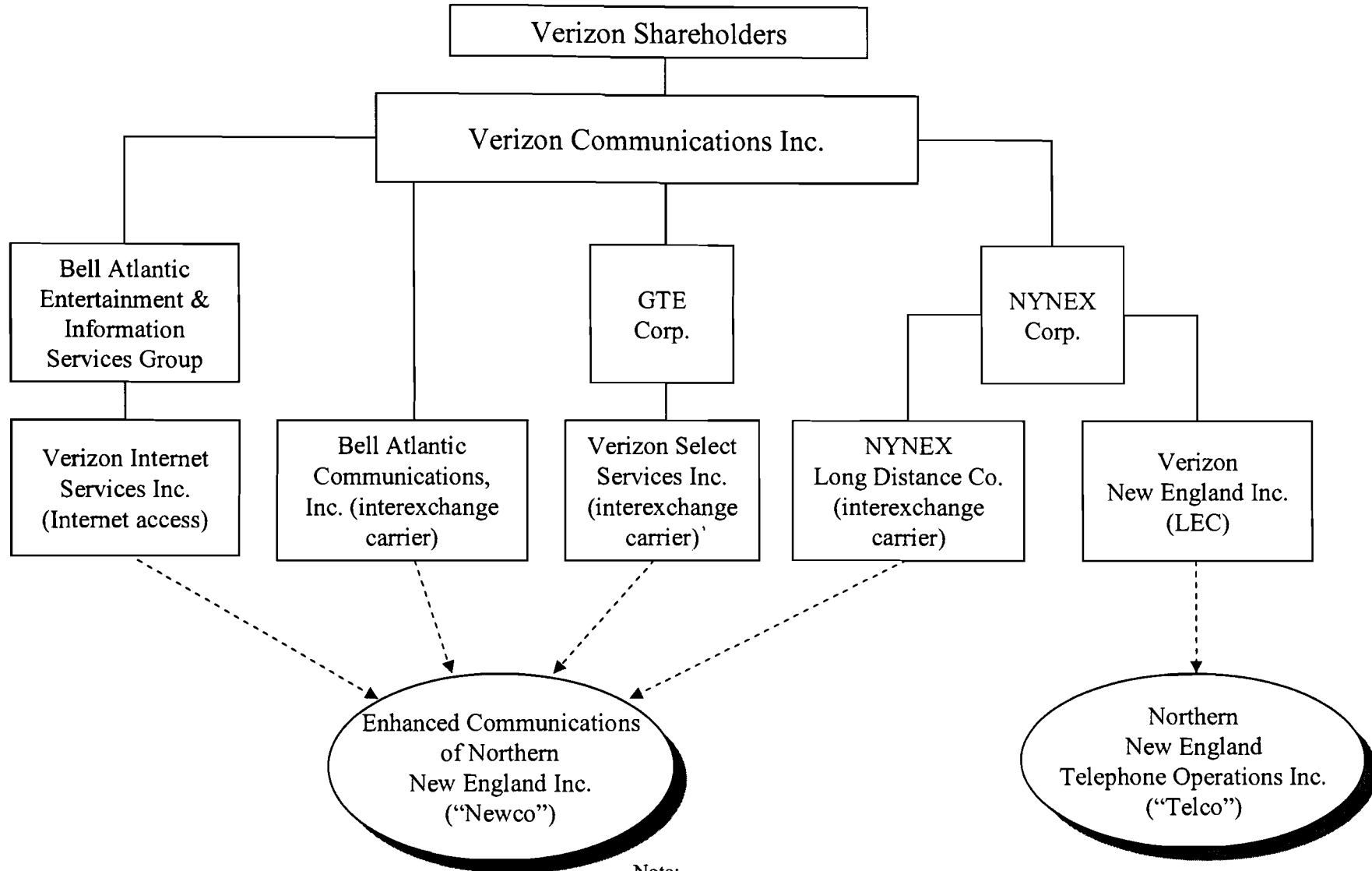
By: \_\_\_\_\_  
Name: John W. Dierksen  
Title: Executive Vice President - Strategy,  
Development and Planning

**NORTHERN NEW ENGLAND  
SPINCO INC.**

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

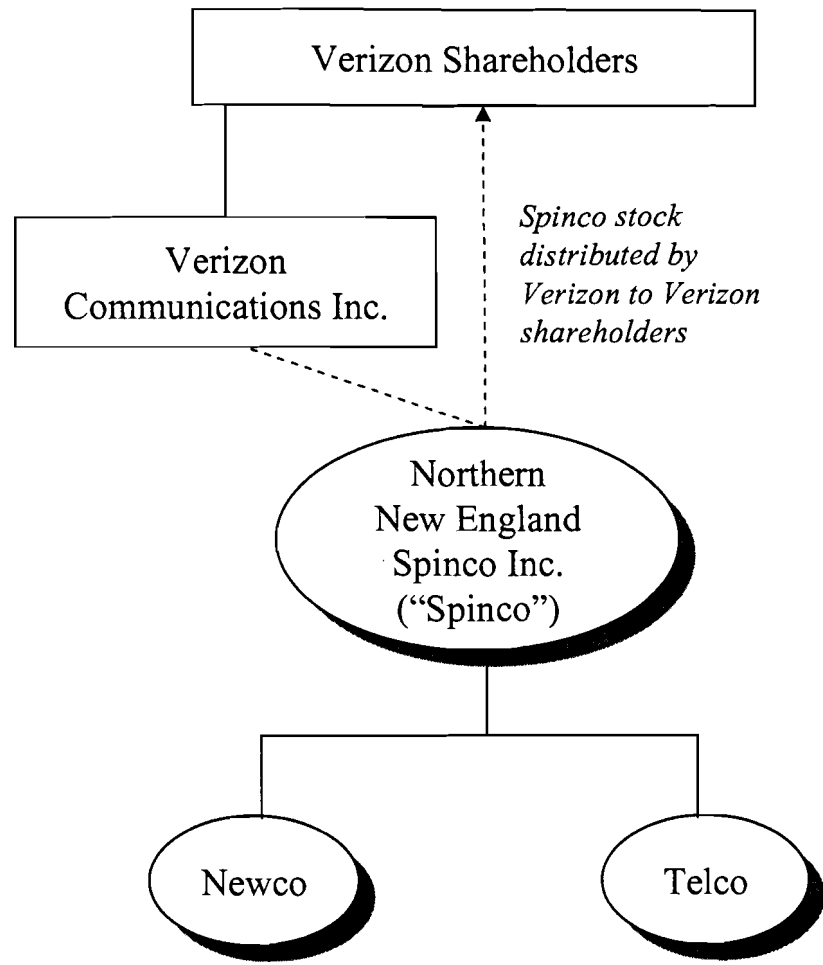
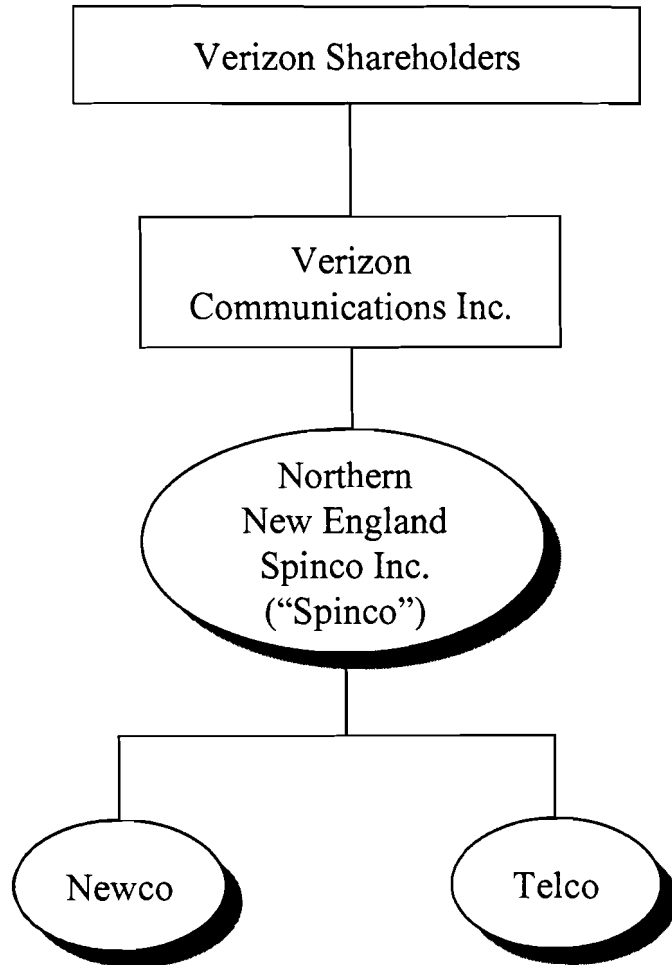


# Transferor's Pre-Merger Corporate Structure

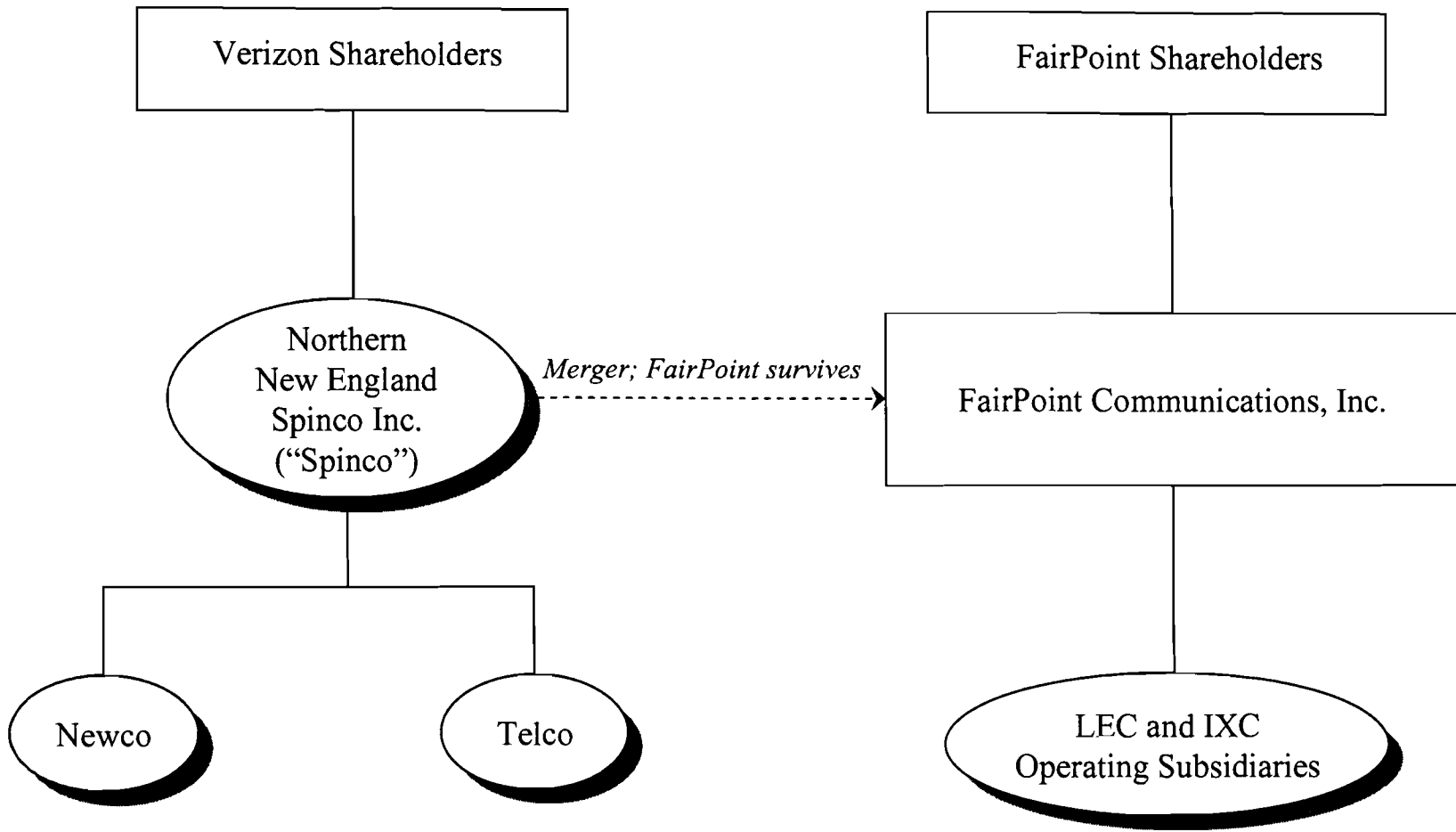


**Note:**  
 Verizon Communications directly owns more than 92% of GTE Corp., and indirectly owns the remainder. All other ownership interests depicted are 100%.

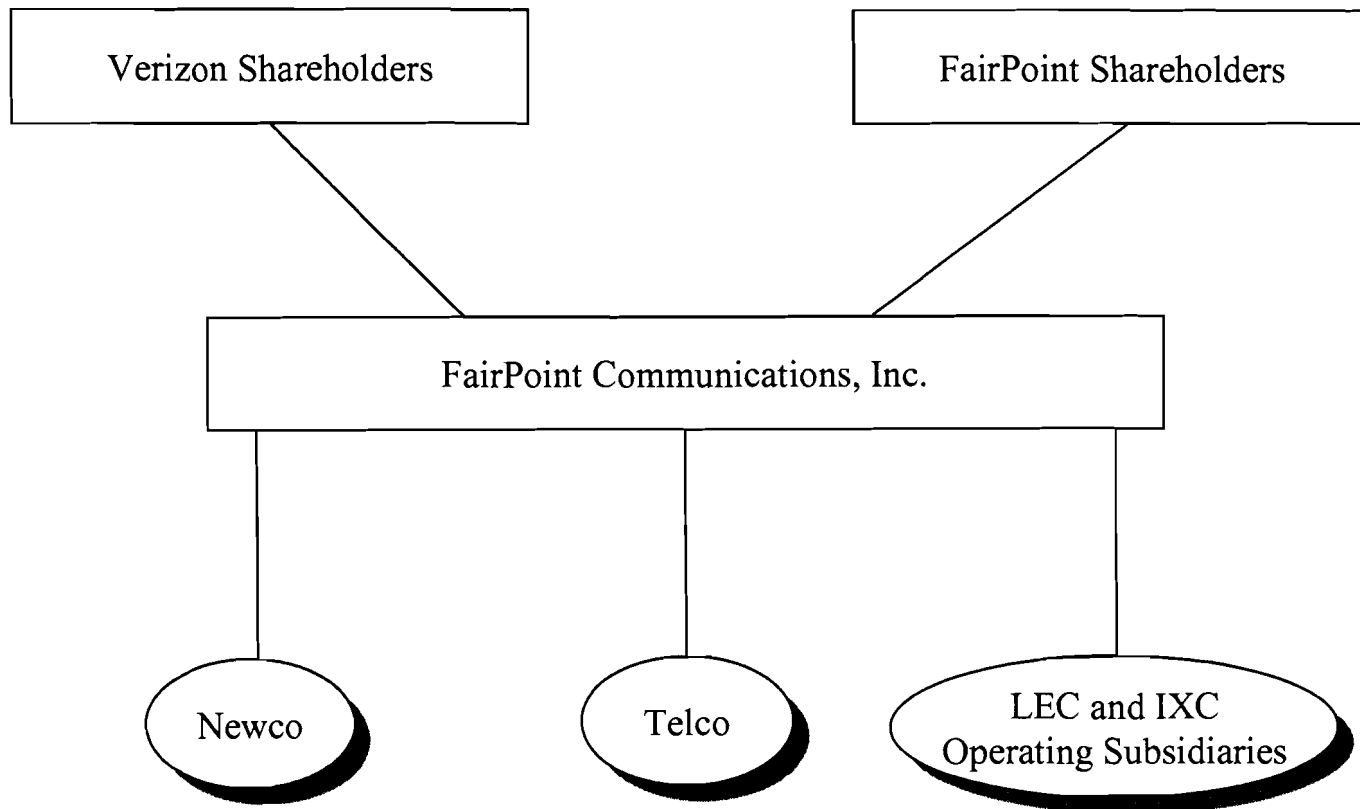
## Creation and Spin-Off of Spinco



## Merger of Spinco and Transferee



## Transferee's Post-Transaction Corporate Structure



**Description of the Proposed Transaction**

The proposed transaction is expected to close within 12 months. It will include the following steps, many of which will be taken contemporaneously:

- Verizon New England Inc. (“Verizon New England”) forms Northern New England Telephone Operations Inc. (“Telco”) and contributes to Telco certain assets and liabilities currently held by Verizon New England that are related to its local exchange and intrastate toll operations in Maine, New Hampshire and Vermont (“the ILEC Business”).
- Verizon New England distributes the stock of Telco to its parent, NYNEX Corporation.
- NYNEX Corporation distributes the stock of Telco to its parent, Verizon Communications Inc. (“Verizon Communications”).
- NYNEX Long Distance Company (“NYNEX Long Distance”), Verizon Select Services Inc. (“VSSI”) and Bell Atlantic Communications, Inc. (“BACI”) transfer assets and liabilities related to their long distance operations in Maine, New Hampshire and Vermont (the “Non-ILEC Business”) to Verizon Communications.
- Verizon Communications forms Northern New England Spinco Inc. (“Spinco”) and contributes to it the Non-ILEC Business and the stock of Telco.
- Spinco forms Enhanced Communications of Northern New England Inc. (“Newco”) and contributes to Newco the Non-ILEC Business.
- FairPoint and Spinco receive cash proceeds pursuant to a debt financing from Lenders.
- Spinco uses part of the cash proceeds from the debt financing to declare and pay a special dividend (the “Special Dividend”) to Verizon Communications. This amount will be approximately equal to the estimated tax basis that Verizon Communications has in its Spinco shares.
- A portion of the cash proceeds from the debt financing will not be used to pay the Special Dividend and will be used after the merger described below to refinance FairPoint existing debt and/or for working capital purposes.
- Spinco issues Spinco debt securities (the “Spinco Securities”) to Verizon Communications in the principal amount of \$1.7 billion less the amount of the Special Dividend.
- Verizon Communications distributes all stock of Spinco to Verizon Communications shareholders.

- If elected by Verizon Communications, Verizon Communications consummates the debt exchange of Spinco Securities for debt of Verizon Communications or its subsidiary (which debt exchange may occur after the merger described below).
- Pursuant to the Merger Agreement, Spinco immediately merges with and into FairPoint, with FairPoint surviving and the Spinco Securities becoming debt obligations of FairPoint.
- The Verizon Communications' shareholders who receive stock of Spinco now receive one share of FairPoint stock for each 55 shares of Verizon Communications stock held as of the record date.
- FairPoint uses the remaining cash proceeds from Spinco's debt financing to refinance pre-existing FairPoint debt and/or for working capital purposes.
- At the conclusion of the transaction, Verizon Communications' current shareholders will own approximately 60% of FairPoint and FairPoint's current shareholders will own approximately 40% of FairPoint.
- Telco and Newco will be wholly owned subsidiaries of FairPoint.

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TRANSITION SERVICES AGREEMENT

by and among

VERIZON INFORMATION TECHNOLOGIES LLC,

NORTHERN NEW ENGLAND TELEPHONE OPERATIONS INC.,

ENHANCED COMMUNICATIONS OF NORTHERN NEW ENGLAND INC.

and

FAIRPOINT COMMUNICATIONS, INC.

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January 15, 2007

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## TRANSITION SERVICES AGREEMENT

Transition Services Agreement, dated as of January 15, 2007, by and among Verizon Information Technologies LLC ("Supplier"), Northern New England Telephone Operations Inc. and Enhanced Communications of Northern New England Inc. (collectively, "Buyers") and FairPoint Communications, Inc. FairPoint ("FairPoint" and following the Closing, the "Surviving Corporation").

### RECITALS

WHEREAS, Verizon Communications Inc., Northern New England Spinco Inc., and FairPoint have entered into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), pursuant to which FairPoint will be the surviving entity in a merger ("Merger") with Northern New England Spinco Inc.; and Verizon Communications Inc. and Northern New England Spinco Inc. have entered into a Distribution Agreement, dated as of the date hereof (the "Distribution Agreement");

WHEREAS, Buyers will be, after the consummation of the Merger, subsidiaries of the Surviving Corporation;

WHEREAS, after the Merger, the Surviving Corporation and Buyers will operate certain businesses including, but not limited to, businesses which provide local exchange and long distance telecommunications services in the States of Maine, New Hampshire and Vermont which businesses were formerly operated by Affiliates of Supplier;

WHEREAS, Supplier and its Affiliates have employees with expertise and capabilities to provide the Transition Services described herein and in the attached Schedules; and

WHEREAS, Buyers, FairPoint and Supplier (each, a "party" and collectively, the "parties") desire to enter into an agreement whereby Supplier and its Affiliates, on the terms and conditions set forth in this Agreement, will provide certain Transition Services to the Buyers exclusively for the benefit of the Spinco Business and not for the benefit of FairPoint's or Surviving Corporation's other Affiliates.

### AGREEMENT

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties agree as follows.

## ARTICLE I

### DEFINITIONS

Capitalized terms used in this Agreement or its Schedules but not defined herein or therein shall have the meanings given them in the Merger Agreement. Other capitalized terms, as used herein, have the meanings set forth below or elsewhere in this Agreement.

“Agreement” means this Transition Services Agreement, together with the Schedules attached hereto and made a part hereof.

“Applicable Rate” means the three-month LIBOR rate published on Telerate Page 3750 as of 11:00 a.m. London time, on the date which is two days prior to the date such rate is determined less 10 basis points, such rate to be reset every 90 days.

“Approved Third-Party Intellectual Property” has the meaning set forth in Section 5.1(ii) hereto.

“Buyers” has the meaning set forth in the preamble hereto.

“Change of Control” means (i) any transaction or series of transactions in which any person or group (within the meaning of Rule 13d-5 under the Securities Exchange Act and Sections 13(d) and 14(d) of the Securities Exchange Act) that is a direct or indirect “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act), acquires by way of a stock issuance, stock purchase, tender offer, merger, consolidation or other business combination or otherwise, greater than 50% of the total voting power entitled to vote in the election of directors of either of the Buyers, or the Surviving Corporation, (ii) any merger, consolidation, reorganization or other business combination with a Person in which either of the Buyers or the Surviving Corporation does not survive, (iii) any merger, consolidation, reorganization or other business combination in which either of the Buyers or the Surviving Corporation survives, but the shares of common stock outstanding of either of the Buyers or Surviving Corporation or its ultimate controlling Affiliate immediately prior to such merger, consolidation, reorganization or other business combination represent 50% or less of the voting power of either of the Buyers or the Surviving Corporation after such merger, consolidation, reorganization or other business combination and (iv) any transaction or series of transactions in which assets comprising more than 50% of the total assets of either of the

Buyers or Surviving Corporation and its Subsidiaries (in value) are sold to another Person.

“Change Request” has the meaning set forth in Section 3.2(b) hereto.

“Conforming Change” has the meaning set forth in Section 3.2(a) hereto.

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

“Cutover” has the meaning set forth in Section 4.1(b) hereto.

“Cutover Plan” has the meaning set forth in Section 4.1(e) hereto.

“Cutover Planning Committee” has the meaning set forth in Section 4.1(a) hereto.

“Direct Claim” has the meaning set forth in Section 16.4(b).

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

“FairPoint” has the meaning set forth in the preamble hereto.

“FairPoint Cutover Preparation Tasks” has the meaning set forth in Section 4.1(f).

“Final Cutover Date” has the meaning set forth in Section 13.6 hereto.

“Fixed Monthly Service Fee” has the meaning set forth in Section 2.1(a) hereto.

“Force Majeure Event” has the meaning set forth in Section 22.14 hereto.

“Indemnatee” means a Supplier Indemnatee or a FairPoint Indemnatee, as the case may be.

“Indemnitor” means any person or entity required to provide indemnification under this Agreement.

“Initial Payment” has the meaning set forth in Section 6.2 hereto.

“Holdover Period” has the meaning set forth in Section 14.2.

“Intellectual Property” has the meaning set forth in the Intellectual Property Agreement which is one of the Transaction Agreements as defined in the Merger Agreement.

“Losses” has the meaning set forth in the Merger Agreement.

“Merger” has the meaning set forth in the Recitals hereto.

“Merger Agreement” has the meaning set forth in the Recitals hereto.

“Notice Effective Date” has the meaning set forth in Sections 13.3, 13.4 and 13.5 hereto.

“Preliminary Cutover Plan” means the written document prepared by Supplier which includes, without limitation, a plan which identifies specific business and systems deliverables to be delivered by Supplier to Buyer in stages. The plan includes, without limitation, the extraction of data contained in certain electronic databases of the Spinco Business in two test extracts and one final extract and the transfer of such data to the Surviving Corporation or its designee in an existing format defined by Supplier. The plan shall also include a description of the activities that must be performed by Supplier and Buyers to transfer customer service responsibility for long distance customers of the Spinco Business to Buyers. Additionally, the plan shall include a description of the activities that must be undertaken by Supplier and Buyers to transfer customer service responsibility for the dial-up, DSL and fiber to the premises (aka Fios) data and other ISP customers of Spinco Business to Buyers. Further, the plan shall also include a description of the activities that must be undertaken by Supplier and Buyers should Schedule A Services and Schedule D Services be terminated prior to the termination of Schedule C Services and a description of the activities that must be undertaken by Supplier and Buyers if Schedule C Services were to be terminated prior to the termination of Schedule A Services and Schedule D Services and a description of the activities that



must be undertaken by Supplier and Buyers if Schedule C Services were to be terminated prior to the termination of Schedule A Services and Schedule D Services.

“Preliminary FairPoint Cutover Preparation Tasks” means a written document prepared by FairPoint which identifies those activities that FairPoint must undertake and complete to be prepared for cutover.

“Schedule A Fee” has the meaning set forth in Section 2.1(b) hereto.

“Schedule A Services” has the meaning set forth in Section 2.1 hereto.

“Schedule B Fee” has the meaning set forth in Section 2.4 hereto.

“Schedule B Services” has the meaning set forth in Section 2.4 hereto.

“Schedule C Fees” has the meaning set forth in Section 2.1(c) hereto.

“Schedule C Services” has the meaning set forth in Section 2.1 hereto.

“Schedule D Fees” has the meaning set forth in Section 2.1(d) hereto.

“Schedule D Services” has the meaning set forth in Section 2.1 hereto.

“Senior Executive Officers” means, in the case of FairPoint, Peter Nixon, and in the case of Supplier, Stephen E. Smith.

“Service Modification” has the meaning set forth in Section 3.2(b) hereto.

“Settlement Requirements” has the meaning set forth in Section 16.4(a).

“Single Point of Contact” has the meaning set forth in Section 11.1 hereto.

“Special Services” has the meaning set forth in Section 2.3 hereto.

“Special Services Fee” has the meaning set forth in Section 2.3 hereto.

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

“Supplier” has the meaning set forth in the preamble hereto.

“Supplier License Fees” has the meaning set forth in Section 2.2 hereto.

“Supplier Cutover Planning Services” has the meaning set forth in Section 4.1(b) hereto.

“Supplier Indemnitees” has the meaning set forth in Section 16.1 hereto.

“Surviving Corporation” has the meaning set forth in the preamble hereto.

“Team Leader” has the meaning set forth in Section 4.1(a) hereto.

“Termination Schedule” has the meaning set forth in Section 4.1(a) hereto.

“Tax” has the meaning set forth in the Merger Agreement.

“Third Party Claim” has the meaning set forth in Section 16.4(a).

“Third-Party Contractors” has the meaning set forth in Section 10.1 hereto.

“Third-Party Intellectual Property” has the meaning set forth in the Merger Agreement.

“Third-Party Vendor Costs” has the meaning set forth in Section 2.2 hereto.

“Third-Party Vendors” has the meaning set forth in Section 2.2 hereto.

“Transition Service” has the meaning set forth in Section 2.1 hereto.

“Unit-Based Service Fee” has the meaning set forth in Section 2.1(d) hereto

## ARTICLE II

### TRANSITION SERVICES

#### 2.1 Transition Services and Fees.

(a) Following the Closing, and subject to the terms and conditions hereof, Supplier shall arrange for, procure, aggregate and otherwise cause its Affiliates and their employees to provide to the Buyers for use in the Spinco Business during the term hereof the services listed on Schedule A (collectively “Schedule A Services” and each service a “Schedule A Service”), the services listed on Schedule C (collectively, the Schedule C Services” and each service, a “Schedule C Service”) and the services listed on Schedule D (collectively the “Schedule D Services” and each service a “Schedule D Service”) the Schedule A Services, Schedule C Services and the Schedule D Services (collectively, the “Transition Services” and each service, a “Transition Service”). Each of Schedule A, Schedule C and Schedule D includes, for each Transition Service, (i) a description of the service (or group of related services) to be performed and (ii) significant performance requirements of Supplier or its Affiliates and Buyers and other special terms and conditions relating directly to the services to be performed.

(b) The Schedule A Services shall be provided for the following monthly fee (each a “Schedule A Fee”):

For the first eight months after the closing Date:	\$14,200,000 per month
For each month beginning in the ninth month after closing	\$500,000 less than for the prior month
For the thirteenth month	\$14,700,000 per month
For each month following the thirteenth month until termination of the Schedule A	\$500,000 more than the amount paid with respect to the prior month, <u>provided</u> that no increase shall occur after 60 calendar days

Services	after the Notice Effective Date with respect to early termination pursuant to Section 13.3, 13.4 or 13.5 hereof.
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For example, in the tenth month, the Schedule A Fee shall be \$13,200,000 and in the fourteenth month the Schedule A Fee shall be \$15,200,000. The Schedule A Fee is exclusive of any Taxes, which shall be allocated as provided in Article XVII.

(c) The Schedule C Services shall be provided for the fees described in Schedule C (the “Schedule C Fees”), stated as a monthly fixed payment (a “Fixed Monthly Service Fee”). The Schedule C Fees are exclusive of any Taxes, which shall be allocated as provided in Article XVII.

(d) The Schedule D Services shall be provided for the fees described in Schedule D (the “Schedule D Fees”), stated as a monthly fixed payment (a “Fixed Monthly Service Fee”) or a “Unit Based Service Fee” as applicable. The Schedule D Fees are exclusive of any Taxes, which shall be allocated as provided in Article XVII.

2.2 Third-Party Vendor Costs. In order to provide the Transition Services, the parties acknowledge and agree that it may be necessary for Supplier to pay third-party suppliers or vendors (“Third-Party Vendors”) incremental or other costs and expenses or new costs or expenses incidental to Supplier’s providing transition support for the Buyers, including without limitation, product and service fees, programming fees, Taxes, maintenance fees, initiation and set-up costs and license fees and costs (including attorney’s fees) associated with any obtaining licenses, approvals, waivers or rights relating to Third-Party Intellectual Property as described in Article V. Collectively such incremental costs and expenses payable to third parties described in the preceding sentence are “Third-Party Vendor Costs”. Third-Party Vendor Costs associated with Schedule A Services shall be paid by Supplier. Third-Party Vendor Costs associated with Schedule C and Schedule D Services are in addition to the Schedule C and Schedule D Fees described in Section 2.1(c) and 2.1(d) and are payable by Buyers or FairPoint to Supplier pursuant to Article VI.

2.3 Special Services and Fees. Buyers or FairPoint may request that Supplier or its Affiliates participate in meetings, telephone calls, or other consultations for Buyers or FairPoint to perform their respective requirements as described in Schedule A,

Schedule C or Schedule D ("Special Services"). Supplier shall consider all requests for Special Services in good faith, and shall provide such Special Services, where in Supplier's judgment Supplier or its Affiliates can provide such Special Services without materially adversely disproportionately or unreasonably impacting Supplier's or its Affiliates' then current operations and planned future work loads and without violating any applicable law, regulation or agreement; and further provided that Supplier and its Affiliates shall have no obligation to share Verizon Proprietary Business Information or provide any training to FairPoint or its representatives or agents. After the first 500 hours of Special Services which shall be provided by Supplier to FairPoint without cost and related to planning for the receipt of the Transition Services, FairPoint shall pay Supplier for Special Services at the rate of \$125 per hour (the "Special Service Fee"). FairPoint shall also reimburse Supplier for all reasonable pre-approved out-of-pocket travel-related costs and expenses in connection with providing Special Services hereunder.

2.4 Schedule B Fee. Prior to the Closing, Supplier and its Affiliates shall provide the services listed in Schedule B (the "Schedule B Services") for the fee described on Schedule B (the "Schedule B Fee"), which fee is exclusive of Taxes. FairPoint shall pay Supplier the Schedule B Fee in the amount and at the time specified in Schedule B.

2.5 Service Administration. Supplier shall administer this Agreement with respect to the delivery of Transition Services. As more fully described in Article XI and subject to specific arrangements set forth in Schedule A, Schedule C and Schedule D, Supplier shall coordinate all communications, questions and problem resolution with respect to all Transition Services.

2.6 Supplier to Pay Its Affiliates and Vendors. Without limiting the obligation of the Buyers under Article VI, Supplier shall be responsible to pay its Affiliates for any Transition Services or Special Services provided and pay Third-Party Vendors for Third-Party Vendor Costs.

2.7 Supplier Cutover Planning Services. Supplier shall provide the Supplier Cutover Planning Services described in Article IV at no additional cost.

2.8 Performance by Buyers and FairPoint. Subject to Section 14.2, the Buyers and FairPoint shall perform in a timely fashion those tasks, and provide the personnel, facilities and accurate information, as are expressly set forth in the Schedules hereto. In addition, the Buyers and FairPoint agree to use commercially-reasonable efforts to

cooperate with Supplier and its Affiliates, and to perform, in a timely fashion, those additional commercially-reasonable tasks directly related to the performance of the Transition Services which Supplier may reasonably request. FairPoint's and Buyers' failure to cooperate with Supplier in the manner requested shall not relieve Supplier of its obligations hereunder, except and to the extent that such failure would preclude or materially interfere with performance by Supplier of a particular component of the Transition Services.

2.9 Services Not to Be Withheld. Subject to Supplier's rights under Article XIV and provided none of Buyers or FairPoint is in default of its obligation to pay fees or has refused to pay fees hereunder in bad faith, or has had a Change of Control, Supplier shall not intentionally withhold the provision of any or all of the Schedule A Services, or substantially all of the Schedule C Services or Schedule D Services for any reason during the term of this Agreement. If Supplier breaches or threatens to breach the provisions of this Section, Supplier agrees that FairPoint and Buyers will be irreparably harmed, and, without any additional findings of irreparable injury or harm or other considerations of public policy, FairPoint and/or Buyers shall be entitled to apply to a court of competent jurisdiction for and, provided FairPoint and/or Buyers follow the appropriate procedural requirements (including notice and an affidavit that none of Buyers or FairPoint has failed to make all undisputed payments or is in material breach), Supplier shall not oppose the granting of an injunction compelling specific performance by the Supplier of its obligations under this Agreement without the necessity of posting any bond or other security. Supplier further agrees not to oppose any such application for injunctive relief.

### **ARTICLE III**

#### **SCOPE OF SERVICES; CHANGES**

3.1 General Scope. Each Transition Service described on Schedule A, Schedule C and Schedule D is limited to such functionality as was included in the same service which was provided to Verizon New England Inc. or any of the Contributing Companies, as applicable, on the date immediately prior to the Closing Date, unless the service descriptions on the Schedules hereto specifically indicate otherwise. Unless otherwise specifically stated in the Schedules hereto, Transition Services are provided only in respect of the Spinco Business as conducted (or substantially as conducted) on the Closing Date by Buyers or their Affiliates as successors to one or more of the Contributing Companies, as defined in the Distribution Agreement, and such services are not provided in respect of, or in support of, or in combination with, any other business operation or interests of Buyers, Surviving Corporation or their Affiliates. Except as specifically described in the Schedules hereto or this Agreement, neither Supplier nor its

Affiliates shall have any obligation to provide any additional, modified, general or customized services.

### 3.2 Changes in Scope.

(a) The parties acknowledge and agree that Supplier and its Affiliates shall provide the Transition Services utilizing systems, databases, reports, formats and processes used to support Verizon New England Inc. (and the Contributing Companies as to the respective service they received) immediately prior to the Closing Date, and except as otherwise specifically described herein or in the Schedules hereto, Supplier and its Affiliates are not obligated to make any modification or customization of any such systems, databases, reports, formats or processes. Supplier and its Affiliates will adhere to the policies, practices and methodologies used to support Verizon New England Inc. and the Contributing Companies immediately prior to the Closing Date. During the term of this Agreement, Supplier may at any time modify the Transition Services, as necessary or desirable, to allow for continued or conforming use of the then-existing systems and databases and to allow for continued or conforming adherence to the then-existing policies, practices and methodologies, which Supplier or its Affiliates will use to provide similar services to Verizon New England Inc. or the Contributing Companies after the Closing (each, a “Conforming Change”). Provided that the Conforming Change complies with applicable law, neither Buyers nor Surviving Corporation shall be responsible for any additional costs in connection with such Conforming Change, and Supplier shall reimburse Buyers for all of Buyers’ reasonable out-of-pocket costs in connection with the implementation of such Conforming Change. Prior to the implementation of a Conforming Change, Supplier will provide the Buyers with written notice of such change contemporaneously with the notice provided to Verizon New England Inc. or the Contributing Companies, as applicable.

(b) In addition to Conforming Changes, during the term, the Buyers or FairPoint may request that Supplier agree to modify any of the Transition Services to comply with then-existing law or requirements of a Governmental Authority (a “Service Modification”). Buyers or FairPoint shall deliver to Supplier’s Single Point of Contact (as defined in Article XI) a written description of the proposed change (each, a “Change Request”).

(c) Supplier shall provide all proposed Service Modifications. Supplier shall make commercially reasonable efforts to complete and implement Service Modifications at the time or on the schedule required by law or requirements of the Governmental Authority, taking into account Supplier’s pre-existing work load,

service obligations and requirements of law in respect of its Affiliates. The Supplier's time expended to implement a Service Modification (other than a Service Modification required to be implemented by applicable law or any governmental order generally applicable to all telecommunications operators as in effect prior to the Closing Date but not any Service Modification which is part of any order of a Governmental Authority issued in connection with the Merger) shall be billed to Buyers as Special Services. The Buyers shall reimburse Supplier for its costs and out-of-pocket expenses associated with implementation and delivery of any post-Closing Service Modification (other than a Service Modification required to be implemented by applicable law or any governmental order generally applicable to all telecommunications operators as in effect prior to the Closing Date but not any Service Modification which is part of any order of a Governmental Authority issued in connection with the Merger). FairPoint shall reimburse Supplier for its cost and out-of-pocket expenses associated with implementation and delivery of any pre-Closing Service Modification (except as provided above).

(d) If a Conforming Change occurs or a Change Request is approved in accordance with this Article III, the definition of Transition Services and the Schedules hereto will be deemed amended to reflect the implementation of the Conforming Change or Service Modification as well as any other terms and conditions agreed upon by the parties in writing.

## ARTICLE IV

### CUTOVER REPORTS

#### 4.1 Cutover Plan.

(a) As of the date hereof, Supplier and FairPoint shall establish a planning committee (the "Cutover Planning Committee") consisting of two representatives of both Supplier and FairPoint (or their Affiliates), to discuss and plan the delivery by Supplier to Buyer of specific business and system deliverables, including without limitation the extraction of data contained in certain electronic databases of the Supplier no later than 15 months after the Closing Date. Each of FairPoint, on the one hand, and the Supplier, on the other hand, shall designate a member of the Cutover Planning Committee as team leader ("Team Leader") who shall have the primary responsibility and accountability for making team assignments for his/her party, coordinating communications between party teams, and assessing and reporting progress planning and implementing the Cutover Plan as described below. Each Party will devote adequate planning resources to their portion of the Cutover Planning



Committee to allow for timely planning consistent with timelines established in the Cutover Plan, the Deliverable Schedule and FairPoint Cutover Preparation Tasks. The Parties expect to invite other employees or contractors to participate in specialized areas related to the Cutover Plan based on their areas of expertise and responsibility as it relates to the operation of the Spinco Business. The activities of the Cutover Planning Committee shall be conducted consistent with all applicable requirements of law, regulation and contracts, including antitrust and telecommunications laws.

(b) Within 30 calendar days following the date hereof, the Cutover Planning Committee shall hold its initial meeting to commence planning and preparation for the Buyers to cease using all Transition Services and thereafter to operate the Spinco Business using FairPoint's and/or Surviving Corporation's own systems and services or those of other third parties (the "Cutover"). The services provided by the Supplier in connection with planning the Cutover are "Supplier Cutover Planning Services".

(c) Within 90 calendar days following the date hereof, Supplier shall deliver to FairPoint Supplier's preliminary draft of a cutover plan (the "Preliminary Cutover Plan") The Preliminary Cutover Plan shall include, among other provisions, a plan for activities and tasks that will be completed prior to and immediately following the Cutover Date, and those matters relating to ISP cutover described on Schedule E hereto.

(d) The Cutover Planning Committee shall review the Preliminary Cutover Plan. Within 30 calendar days following receipt, FairPoint may make suggestions for modification and amendment to the Preliminary Cutover Plan. Supplier shall review all such suggestions in good faith and consider, among other factors, their commercial reasonableness, technical feasibility, the anticipated implementation period, available Supplier and Affiliate resources, and existing Supplier and Affiliate obligations and activities. Within 30 calendar days following receipt of the FairPoint suggestions for modification, Supplier shall accept or reject any or all such suggestions in its reasonable discretion and resubmit to FairPoint the Preliminary Cutover Plan. In addition, Supplier will provide a detailed deliverable schedule based on a target cutover date. This schedule, which shall become part of the Cutover Plan, shall include projected time lines for delivery of Supplier deliverables which are sufficient to allow Buyers' testing where applicable, and the final deliverable dates in respect of all portions of the Spinco Business. The final documents delivered to FairPoint by Supplier after good faith consideration of FairPoint modification suggestions shall constitute the "Cutover Plan". Under no circumstances may the Cutover Plan contradict the express terms of this Agreement, unless unanimously agreed to by the Cutover Planning Committee.

(e) Within 90 calendar days following the date hereof, FairPoint shall deliver to Supplier a preliminary description of its proposed cutover tasks (the “Preliminary FairPoint Cutover Preparation Tasks”). The Preliminary FairPoint Cutover Preparation Tasks shall include, among other provisions, a suggested cutover date using a target cutover of approximately 15 months from the date hereof, a plan for activities and tasks related to pre-cutover acceptance, testing and processing of Supplier’s data extracts, and the plan to establish FairPoint systems and processes in order to allow Buyers to function independent of Supplier and its Affiliates.[ The Preliminary FairPoint Cutover Preparation Tasks will provide for post-exit regular data feeds to the Supplier such that the Supplier may meet its Schedule A Service obligations related to DSL service with the understanding that such data feeds are provided at no cost to Supplier.]

(f) The Cutover Planning Committee shall review the Preliminary FairPoint Cutover Preparation Tasks. Within 30 days following receipt, Supplier shall review and may make suggestions in its reasonable discretion for modification and amendment to the Preliminary FairPoint Cutover Preparation Tasks. Within 30 days after receipt of Supplier’s suggestions for modification and suggested cutover date, FairPoint shall accept any or all such suggestions and resubmit to Supplier the Preliminary FairPoint Cutover Preparation Tasks. The final document delivered to Supplier after incorporation of Supplier modification suggestions shall constitute the “FairPoint Cutover Preparation Tasks”.

(g) In addition to the scheduled reviews and meetings described in the Section 4.1, after delivery of the Cutover Plan, the Cutover Planning Committee and/or Team Leaders shall have additional meetings (telephonically or otherwise) not more frequently than weekly to consider the status of the various plans and consider any mutually-agreed additional plans or schedules.

## ARTICLE V

### THIRD-PARTY INTELLECTUAL PROPERTY

5.1 Intellectual Property. Buyers understand that certain rights and licenses to use Third-Party Intellectual Property may be required to provide Transition Services. Within 60 days after the date of this Agreement, Supplier will commence commercially-reasonable efforts to identify licensors of Third-Party Intellectual Property and determine whether consents or waivers are necessary to be obtained from such licensors in order to provide Transition Services.

## 5.2 Obtaining Waivers or Licenses.

(a) Subject to the last sentence of Section 6.1, within 90 days after the date of the Agreement, Supplier or its Affiliates shall commence commercially-reasonable efforts to obtain, at Supplier's sole cost and expense, any necessary rights, waivers or licenses to use any and all Third-Party Intellectual Property necessary to provide Schedule A Services and Schedule B Services to the Buyers. Subject to any contrary provision of Schedule C or Schedule D, Supplier shall make similar efforts to obtain any necessary rights, waivers or licenses to use any and all Third-Party Intellectual Property necessary to provide Schedule C Services and Schedule D Services at Buyers' sole cost and expense.

(b) To the extent licensors of Third-Party Intellectual Property demand payment of license or other fees for the right to use Third-Party Intellectual Property to deliver Schedule C Services or Schedule D Services, Supplier shall use commercially-reasonable efforts to communicate such demands to FairPoint. FairPoint may direct Supplier to accept or reject such licensor demands and may authorize Supplier in making counteroffers and otherwise direct fee negotiations for a period not to exceed 30 days after receipt of licensor demands.

(c) If no agreement with licensors of Third-Party Intellectual Property in connection with Schedule C Services is reached within 30 days after such licensor's first demand, Supplier will resume its sole and exclusive efforts to obtain necessary licenses and rights on commercially-reasonable terms. Supplier may enter into agreements to pay fees in its sole discretion. All negotiated license fees in respect of Schedule C Services and Schedule D Services shall be paid by Supplier as Third-Party Vendor Costs. FairPoint shall reimburse Supplier for all such fees paid as described in Article VI.

(d) FairPoint agrees to reimburse Supplier for all of its costs and expenses incurred in seeking licenses, waivers or rights from all licensors of Third-Party Intellectual Property in connection with Schedule C Services and Schedule D Services including, without limitation, attorneys' fees which are Third-Party Vendor Costs.

(e) FairPoint agrees to cooperate as reasonably necessary to assist Supplier with obtaining such licenses. From time to time, Supplier may provide FairPoint with a list of Third Party Intellectual Property for which it is seeking waivers or licenses as described in subsection (a) above. Within 30 days after receipt of any such list FairPoint shall advise Supplier in writing of any such Third Party Intellectual Property,

that FairPoint has a license (or will have immediately following Closing) such that it will not be necessary for Supplier to obtain licenses or waivers in respect of the same.

(f) Supplier's obligation to provide each Transition Service shall be contingent upon receipt of all necessary third-party approvals, licenses and rights. Failure to receive such approvals, licenses or rights on a timely basis, after Supplier uses its commercially-reasonable efforts, shall be cause for termination of this agreement with respect to any and all Transition Services affected by the failure to receive such approvals, licenses or rights.

### 5.3 Alternatives.

(a) If after commercially-reasonable efforts to obtain a license have been undertaken as described in Section 5.2 above, any Third-Party Intellectual Property in connection with Schedule C Services or Schedule D Services is not available to Supplier for any reason, Supplier shall suggest specific product alternatives or alternative providers, if known, and if available, provide such information to FairPoint within 120 calendar days of the date Supplier is finally advised that such Third-Party Intellectual Property is not available. Supplier shall obtain a license for the most commercially-reasonable alternative, at FairPoint's sole cost and expense in connection with Schedule C Services or Schedule D Services. If Supplier does not suggest an alternative in respect of Schedule C Services or Schedule D Services as applicable, then FairPoint may suggest an appropriate commercially-available alternative for Supplier's approval, which approval shall not be unreasonably withheld. Supplier shall obtain a license to the alternative suggested by FairPoint, at FairPoint's sole cost and expense in connection with Schedule C Services and Schedule D Services as Third-Party Vendor Costs. If no alternatives are available or approved, then the affected Transition Service shall not be provided.

(b) If Third-Party Intellectual Property is only available to be licensed directly by Buyers or FairPoint, Supplier shall so notify FairPoint and FairPoint shall obtain for its own account or for Buyers' account and at FairPoint's cost and expense (not a Third-Party Vendor Cost) in connection with Schedule C Services and Schedule D Services and at Supplier's cost and expense in connection with Schedule A and B Services, such Third-Party Intellectual Property and the right for Supplier to use such Third-Party Software in the provision of Transition Services for a term not to exceed 16 months after the Closing Date.

(c) FairPoint Intellectual Property. “FairPoint Intellectual Property” is that Intellectual Property created by FairPoint or developed by a third party on behalf of or at the direction of FairPoint, in which FairPoint has all right, title and interest and which is utilized in the performance of the Transition Services. FairPoint grants Supplier a limited, non-exclusive, revocable, worldwide, paid up license to use FairPoint Intellectual Property solely for the purpose of providing the Transition Services.

## ARTICLE VI

### PAYMENT FOR TRANSITION SERVICES

6.1 Payment Upon Termination. In the event that the Merger Agreement is terminated prior to the Closing in circumstances described in Section 9.3(b) of the Merger Agreement, Supplier will invoice FairPoint for (i) any Special Services Fees, including all pre-approved travel costs in connection with the performance of such Special Services, which for greater certainty, does not include any fee for the 500 hours of Special Services described in Section 2.3 above, or any Special Service Fees which have been paid previously (ii) the number of dollars which is equal to the number of hours Supplier, its Affiliates or contractors have labored to provide Schedule B Services multiplied by the Special Service Fee in an amount not to exceed \$34 million; (iii) the amount of Qualified Transition Expenses that exceeds \$20 million; and (iv) (without duplication) any and all Taxes arising from or relating to such payments. FairPoint shall pay such invoice, less any amounts disputed in writing, within 15 calendar days of receipt. Notwithstanding anything herein to the contrary, Supplier shall be under no obligation to incur any fees other than Special Service Fees prior to the date when FairPoint’s stockholders have approved the merger contemplated by the Merger Agreement.

6.2 Closing Date Service Payments. On the Closing Date, the Buyers shall pay Supplier in advance the sum of: (i) Fourteen Million Two Hundred Thousand Dollars (\$14,200,000) for Schedule A Services, (ii) the Schedule C Fees for one month, (iii) the Schedule D Fixed Monthly Service Fees for one month (iv) Third-Party Vendor Costs, if any covering the Schedule C Services and Schedule D Services to be provided during the first month after Closing plus, (v) any Taxes arising from or relating to such payments. The payments described in Sections (i) through (v) collectively the “Initial Payment”.

6.3 Subsequent Service Invoices and Payment.

(a) Prior to the beginning of the second month after Closing the Supplier will invoice in advance for each month of the term thereafter for (i) the Schedule A Fee at the rate specified in Section 2.1(b), (ii) the Schedule C Fixed Monthly Service Fee, (iii) the Schedule D Fixed Monthly Service Fee (iv) Third-Party Vendor Costs, if any, (without duplicating any Third-Party Vendor Fee previously paid in advance pursuant to Section 6.2(iii) above) covering Schedule C Services and Schedule D Services to be provided in the immediately-following month, and (iv) any Taxes arising from or relating to such payments. The Buyers shall pay such invoice, less any amounts disputed in writing, within 15 calendar days of receipt.

(b) Within 30 calendar days after the end of the first month after Closing and each month of the term thereafter and within 30 calendar days after the last day of the term hereof, Supplier shall invoice the Buyers in arrears for (i) the Schedule D Unit-Based Service Fees and Special Service Fees covering all Transition Services provided in the immediately preceding calendar month, or a pro-rata portion of such fees for any partial month and (ii) any Taxes arising from or relating to such payments. The Buyers shall pay each such invoice, less any amounts disputed in writing, within 15 calendar days of receipt.

(c) If the Buyers or FairPoint in good faith dispute owing any amount stated on an invoice, they shall notify Supplier in writing stating the amount of the dispute and giving the reasons for the dispute. The dispute shall be resolved pursuant to the provisions of Article XIX below.

(d) All payments by the Buyers or FairPoint under this Agreement shall be in U.S. dollars by wire transfer of immediately available funds to Supplier's designated account.

6.4 Invoices. All invoices for amounts due under this Agreement on which Taxes would be due shall indicate the jurisdiction of taxation for such Tax. In addition, with each invoice, Supplier shall provide Buyers or FairPoint with a reasonably-detailed breakdown of the Third-Party Vendor Costs and other charges included on such invoice; provided that Supplier received such a breakdown from such third parties.

6.5 Late Payment. All amounts due Supplier under this Agreement that are not paid within 30 calendar days of their due date (other than any amount which is properly disputed) shall bear interest at the Applicable Rate from the due date until paid.

6.6 Surviving Obligations. FairPoint upon early termination of this Agreement pursuant to Section 14.1(a), or Buyers upon early termination of this Agreement pursuant to Sections 14.1(b), or (c), as applicable shall be responsible for paying amounts due or owing to Supplier up to the effective date of such termination. To the extent FairPoint or the Buyers have made any advance payments of Fixed Monthly Service Fees or Third-Party Vendor Costs at the time of early termination, and Supplier has been credited for or is not obligated to pay such Third-Party Vendor Costs, Supplier will issue a credit to the Buyers or FairPoint for the unused portion of any such payments. Buyers' and FairPoint's obligations to reimburse Supplier for any Third- Party Vendor Costs paid by Supplier shall survive termination of any or all Transition Services or this Agreement.

## ARTICLE VII

### SERVICE LEVEL COMMITMENTS

7.1 General. Supplier and its Affiliates shall devote such time, effort and resources to the performance of Transition Services specified in Schedule A, Schedule C and Schedule D in a manner that generally meets any applicable service levels and other requirements set forth in Schedule A, Schedule C and Schedule D; provided, however, that the parties agree that the obligations of Supplier and its affiliates are to tender performance and that its ability to perform will be, or may be, adversely affected by the Buyers' or FairPoint's failure to perform its obligations described in Section 2.8. Supplier further agrees that it and its Affiliates shall perform the Transition Services (i) in compliance with applicable law and any governmental or regulatory requirements and (ii) with the same overall standards of quality, timeliness and efficiency as such services are then being provided by Supplier's Affiliates to Verizon New England Inc. taking into account reasonable fluctuations that occur from month to month.

7.2 Supplier Cooperation. Supplier shall, and shall cause its Affiliates to, use commercially reasonable efforts to cooperate with FairPoint and its Affiliates, and to perform, in a timely fashion, its obligations prior to the Closing Date and after the Closing Date; provided, that such efforts shall not require Supplier and its Affiliates to (x) incur additional expenses, obligations or liabilities other than as expressly required herein, (y) disproportionately or unreasonably interfere, either individually or in the aggregate, with the conduct of the Verizon Business or (z) be inconsistent with the express terms of this Agreement or any Schedule hereto.

7.3 Correction. In the event Supplier fails to deliver the Transition Services in any material respect in accordance with this Agreement, Supplier shall, at its expense,

resolve any such discrepancies as promptly as reasonably practicable, given the nature and severity of the matter at issue. Supplier shall keep FairPoint and Buyers informed regarding the status of its actions to resolve such discrepancies and the resolution thereof.

## **ARTICLE VIII**

### **PERSONNEL AND SYSTEMS PROVIDING TRANSITION SERVICES**

8.1 Personnel. Supplier and its Affiliates shall have the sole and exclusive responsibility for selecting and managing their personnel who provide Transition Services and shall supervise them in connection with the performance of Transition Services. Such personnel shall be qualified, in the reasonable opinion of Supplier, for the tasks to which they are assigned. Supplier or its Affiliates shall pay and be responsible for all wages, salary or other compensation, taxes, insurance and, except as expressly specified herein or in any Schedule or separate agreement, other costs and expenses with respect to such personnel.

8.2 Intellectual Property, Equipment and Systems. Supplier and its Affiliates shall have the sole and exclusive responsibility and discretion to select and provide the Intellectual Property, equipment and systems necessary to deliver the Transition Services, provided, however, that the foregoing shall not affect the Supplier's obligation to comply with any specified service level and the other terms and conditions of this Agreement.

## **ARTICLE IX**

### **INTENTIONALLY OMITTED**

## **ARTICLE X**

### **EMPLOYMENT OF CONTRACTORS OR THIRD PARTIES**

10.1 Subcontractors. To the extent that Supplier or any of its Affiliates determines that it is desirable for any reason in their sole discretion, Supplier may contract with reasonably-qualified third parties to provide any or all Transition Services to the Buyers for the remainder of the term and (ii) further, if in the judgment of counsel for Supplier, any requirement of law precludes Supplier from performing any Transition Service or performing any of its obligations of this Agreement, Supplier may assign the



performance of those obligations to a reasonably-qualified third party selected by Supplier in its reasonable discretion.

10.2 Subcontractor Payments. Supplier shall remain fully responsible for its performance of this Agreement in accordance with its terms, including any obligations it performs through third parties, and Supplier shall be solely responsible for all payments due to third parties. Notwithstanding anything to the contrary, amounts due from Supplier and its Affiliates to their subcontractors shall not be included in the Third-Party Vendor Costs to the extent such amounts are for services that are duplicative of services for which Supplier is charging Buyers or FairPoint any fee.

## ARTICLE XI

### SINGLE POINT OF CONTACT; DISPUTE RESOLUTION

11.1 Single Point of Contact. FairPoint and Supplier shall each appoint a person who shall be available to receive communications and coordinate responses to questions and concerns on behalf of their respective parties and their Affiliates with respect to this Agreement or the Transition Services, including billing and operational matters (“Single Point of Contact”). Except in respect of the activities of the Cutover Planning Committee or the Team Leaders described in Section 4.1, or unless otherwise authorized in writing or set forth in the policies and procedures of Supplier or its Affiliates or as specified on any Schedule hereto, FairPoint and Supplier agree that their representatives and employees shall not contact any representatives of the other party, other than the designated Single Point of Contact. Notwithstanding the provisions of this Article XI, in the event of any network or service outage or other similar emergency relating to any Transition Service, a party shall attempt to contact the Single Point of Contact of the other party, but may also directly contact that person most able to resolve the emergency expeditiously.

11.2 Dispute Resolution. The Single Points of Contact shall meet as often as reasonably necessary in an effort to resolve disputes without the necessity of any formal proceeding relating thereto. If the Single Points of Contact do not resolve a dispute within 30 calendar days, then either party may escalate the dispute to its Senior Executive Officer. If such dispute cannot be resolved by the Senior Executive Officers of the parties within 10 days after initiation of discussions, either party may initiate formal proceedings as permitted by this Agreement. The foregoing requirements and limitations shall not, however, prevent a party from: (i) seeking injunctive relief in circumstances permitted by this Agreement, or (ii) terminating this Agreement (in whole or in part) in accordance with Article XIV.

## ARTICLE XII

### POLICIES, PROCEDURES AND TRAINING

12.1 Policies and Procedures. Supplier and its Affiliates agree to follow and abide by all commercially-reasonable written policies and procedures provided by FairPoint or Buyers from time to time in connection with the provision of Transition Services with respect to access to FairPoint's or its Affiliates' systems or premises, to the extent that such policies and procedures do not conflict with the requirements of this Agreement or any Schedule hereto. FairPoint and its Affiliates agree to follow and abide by all commercially-reasonable written policies and procedures provided by Supplier from time to time in connection with the provision of Transition Services with respect to (i) provision of data by FairPoint, Buyers or their Affiliates to Supplier or its Affiliates, (ii) Buyers' access to or use of any Supplier or Affiliate computer support systems and (iii) plant work and right-of-access rules as further described in Article XX, all to the extent that such policies and procedures do not conflict with the requirements of any schedule hereto, it being understood that the policies applicable to Verizon New England Inc. as of the Closing Date shall be deemed to be commercially reasonable.

12.2 Training. To the extent that a party deems reasonably necessary, the other party shall make its employees or representatives reasonably available for training with respect to its policies and procedures, at times and locations mutually agreed upon by the parties. The parties may charge a fee for such training consistent with the provisions of Section 2.3 hereof.

12.3 No Warranty. The parties acknowledge and agree that Supplier and its Affiliates are not generally in the business of providing commercial transition services, and accordingly, neither Supplier nor any of its Affiliates makes any representation or warranty that any policies, procedures or training materials shall be complete, accurate or suitable for FairPoint's or the Buyers' purposes, nor shall Supplier be required to revise such policies, procedures or training materials for any reason.

## ARTICLE XIII

### TERM

13.1 Term. This Agreement shall become effective as of the date first written above and shall expire without notice upon the earlier of: (i) the date that a termination pursuant to Section 14.1 becomes effective, or (ii) the date identified in a Cutover Date

Notice delivered by Supplier pursuant to Section 13.6 hereof, after receipt of a Notice of Readiness for Cutover described in Section 13.2 hereof, which date shall be in the month of January, March, May, July, September or November immediately following the 15-month anniversary of the Closing Date, or (iii) in respect of early termination of the Schedule A Services, Schedule C and Schedule D Services, (terminating at the same time) the date identified in a Cutover Date Notice delivered by Supplier pursuant to Section 13.6 hereof after receipt of a Notice of Readiness for Cutover described in Section 13.3 hereof, which date shall be in the month of January, March, May, July, September or November, or (iv) in respect of early termination of the Schedule A Services and Schedule D Services only (without termination of Schedule C Services), the date identified in a Cutover Notice delivered by Supplier pursuant to Section 13.6 hereof after receipt of a Notice of Readiness for Cutover described in Section 13.4, which date shall be in the month of January, March, May, July, September or November, or (v) in respect of early termination of the Schedule C services only (without termination of Schedule A Services or Schedule D Services) the date identified in a Cutover Notice delivered by Supplier pursuant to Section 13.6 hereof after receipt of a Notice of Readiness for Cutover described in Section 13.5, which date shall be in the month of January, March, May, July, September or November. Supplier and its Affiliates shall commence providing Transition Services described on Schedules A, C and D on the Closing Date of the Merger and, upon receipt of the Initial Payment. Subject to the terms and conditions hereof and of the Cutover Plan shall provide each Transition Service for the remainder of the term hereof.

13.2 Full Term Cutover Notice. Unless this agreement is earlier terminated pursuant to the provisions of Article XIV or pursuant to the provisions of Sections 13.3, 13.4 or 13.5, at least 60 calendar days prior to the 15-month anniversary of the Closing Date, Surviving Corporation shall deliver to Supplier either (i) an irrevocable “Notice of Readiness for Cutover”, which shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Transition Services from Supplier or have engaged a third party to provide such services, or (ii) an irrevocable “Notice of Intention to Holdover” which shall include a representation to the effect that either the Surviving Corporation and the Buyers have not made arrangements to operate the Spinco Business without any Transition Services from Supplier and have not engaged a third party to provide such services. Surviving Corporation shall also deliver to Supplier a Notice of Readiness for Cutover, at such time as Surviving Corporation is prepared to end a Holdover Period as described in Section 14.2.

13.3 Notice of Readiness for Early Cutover in Respect of Schedule A, Schedule C and Schedule D Services. Surviving Corporation may at any time after the later of the 13 month anniversary of the date hereof and the 1 month anniversary of the Closing Date, deliver to Supplier an irrevocable “Notice of Readiness for Cutover” in

respect of Schedule A, Schedule C and Schedule D Services (to be terminated on the same date), which notice shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Schedule A, Schedule C and Schedule D Services from Supplier or have engaged a third party to provide such services. The effective date for any such Notice of Readiness for Cutover shall be deemed to be the last calendar day of the month in which such notice is received by Supplier (the “Notice Effective Date”)

13.4 Notice of Readiness for Early Cutover in Respect of Schedule A Services and Schedule D Services Only. Surviving Corporation may at any time after the later of the 13 month anniversary of the date hereof and the 1 month anniversary of the Closing Date, deliver to Supplier an irrevocable “Notice of Readiness for Cutover” in respect of Schedule A Services and Schedule D Services only (it being understood that in such case, Schedule C Services shall continue after termination of Schedule A Services and Schedule D Services), which notice shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Schedule A Services and Schedule D Services from Supplier or have engaged a third party to provide such services. The effective date for any such Notice of Readiness for Cutover shall be deemed to be the last calendar day of the month in which such notice is received by Supplier (the “Notice Effective Date”)

13.5 Notice of Readiness for Early Cutover in Respect of Schedule C Services Only. Surviving Corporation may at any time after the later of the 13 month anniversary of the date hereof and the 1 month anniversary of the Closing Date, deliver to Supplier an irrevocable “Notice of Readiness for Cutover” in respect of Schedule C Services only (it being understood that in such case, Schedule A Services and Schedule D Services shall continue after termination of Schedule C Services), which notice shall include a representation to the effect that Surviving Corporation or Buyers have made arrangements to operate the Spinco Business without any Schedule C Services from Supplier or have engaged a third party to provide such services. . The effective date for any such Notice of Readiness for Cutover shall be deemed to be the last calendar day of the month in which such notice is received by Supplier (the “Notice Effective Date”)

13.6 Cutover Date Notice. Within 10 calendar days of Supplier’s receipt of a Notice of Readiness for Cutover described in Section 13.2, Supplier shall deliver to Surviving Corporation a “Cutover Date Notice” identifying the specific date for Cutover and termination of all Transition Services. Supplier shall also deliver a Cutover Date Notice to Surviving Corporation in connection with any termination pursuant to the provisions of Section 14.1(b),(c) or 14.2. In respect of any Cutover Date Notice delivered after receipt of a Notice of Readiness for Cutover pursuant to Section 13.3, 13.4 or 13.5 above, the Cutover Date shall be a date which is not earlier than 50 days nor later

than 90 days after the Notice Effective Date if such date is in the month of January, March, May, July, September or November. If the date required by the immediately preceding sentence is not in one of the named months, then Cutover Date shall be within the next calendar month. In determining in its reasonable discretion the specific cutover date to include in a Cutover Date Notice, in addition to other factors, Supplier shall consider Supplier's Affiliates month-end financial data processing and the last regular monthly bill cycle. The date on which the Cutover and termination of all remaining Transition Services to any part of the Spinco Business occurs shall be referred to as the "Final Cutover Date."

## ARTICLE XIV

### TERMINATION

#### 14.1 Termination of Agreement.

(a) This Agreement shall automatically terminate upon the termination of the Merger Agreement.

(b) Supplier may terminate this Agreement at: (i) for non-payment of any fee or amount due under this Agreement which is not disputed or was disputed in bad faith after providing at least 30 days prior written notice to FairPoint to cure or (ii) after a Change of Control (other than pursuant to the transactions contemplated by the Distribution Agreement or the Merger Agreement). A termination pursuant to this section shall be effective on the date identified in a Cutover Date Notice delivered by Supplier, which date shall be in the month of January, March, May, July, September or November immediately following the expiration of the 30-day cure period or Change of Control described above.

(c) FairPoint may terminate this Agreement for a material breach after providing the Supplier at least 60 days prior written notice and a reasonable opportunity to cure. A termination pursuant to this section shall be effective on the date identified in a Cutover Date Notice delivered by Supplier, which date shall be in the month of January, March, May, July, September or November immediately following the expiration of the 60-day cure period described above.

(d) This Agreement shall terminate automatically upon the Final Cutover Date.

14.2 Post Expiration Continuation of Services. Buyers and FairPoint acknowledge and agree that Buyers must be prepared to perform, or have other third parties perform on their behalf, all of the remaining Transition Services without interruption upon the Cutover. Supplier agrees to reasonably cooperate in such planning and preparation and to reasonably cooperate in the transition of the remaining Transition Services to the Buyers, Surviving Corporation or their designee, including by performing the tasks assigned to it in the Cutover Plan. If at the time for termination, the Buyers have not made arrangements to operate the Spinco Business without any remaining Transition Services from Supplier or have not engaged a third party to provide such services, and after the time for termination, the Buyers continue to receive any of the remaining Transition Services for any reason, then the parties agree that Supplier and its Affiliates shall continue to provide all such Transition Services, until (i) such time as Buyers can transition off all of Transition Services and (ii) the effective date of termination as described hereafter (“Holdover Period”). The Holdover Period shall end and the effective date of termination shall be on the date identified in a Cutover Date Notice delivered by Supplier, which date shall be in the month of January, March, May, July, September or November which is at least 30 calendar days following receipt by Supplier of Buyers’ Notice of Readiness for Cutover.

14.3 Survival. The following provisions will survive any expiration or termination of this Agreement with respect to any or all of the Transition Services: Article II (“Transition Services”), Article V (“Third-Party Intellectual Property”), Article VI (“Payment For Transition Services”), Article IX (“Non-Solicitation of Employees”), Article XV (“Limitation on Liabilities”), Article XVI (“Indemnification”), Article XVIII (“Records; Access”), Article XIX (“Dispute Resolution”), Article XXII (“Miscellaneous”) and this Article XIV (“Termination”).

## ARTICLE XV

### LIMITATION ON LIABILITIES

15.1 Limitation on Liabilities. Except as otherwise provided in this Article XV, the liability of Supplier and its Affiliates on the one hand, and of FairPoint, Surviving Corporation, the Buyers or their Affiliates on the other hand, arising out of or relating to this Agreement, including without limitation on account of performance or nonperformance of obligations hereunder, regardless of the form of the cause of action, whether in contract, tort (including without limitation gross negligence), statute or otherwise, shall in no event exceed: (i) with respect to Supplier’s liability, the sum of the amounts paid to Supplier during the term contemplated hereby (excluding Schedule C and Schedule D Third-Party Vendor Costs and Taxes) under this Agreement during the term at the time the liability arises under this Agreement and (ii) with respect to Buyers’

liability, FairPoint's or Surviving Corporation's liability, the sum of the amounts payable to Supplier were this Agreement to continue in effect for the entire 15-month term contemplated hereby.

15.2 No Warranties; No Special Damages. SUPPLIER AND ITS AFFILIATES MAKE NO EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE TRANSITION SERVICES, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. EXCEPT AS OTHERWISE PROVIDED IN THIS ARTICLE XV, IN NO EVENT SHALL ANY PARTY OR ANY OF THEIR AFFILIATES BE LIABLE HEREUNDER FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES OF ANY KIND ARISING FROM THE BREACH OF THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF PROFITS OR BUSINESS INTERRUPTION.

15.3 Exceptions to Limitations. Notwithstanding Sections 15.1 and 15.2 above, the caps on the amount of liability and the limitations on type of liability described therein shall not apply to: (i) the willful misconduct of a party, (ii) any violation by Supplier of Section 2.9, (iii) third party indemnity obligations pursuant to Article XVI below, or (iv) any violation of Section 22.15.

## ARTICLE XVI

### INDEMNIFICATION

16.1 Indemnification by Surviving Corporation. FairPoint and, after the Closing Date, the Surviving Corporation and Buyers shall, jointly and severally, indemnify and hold harmless Supplier and its Affiliates and their respective officers, directors, employees, successors and assigns (collectively, "Supplier Indemnitees") from and against any expense, claim, loss or damage (including court costs and reasonable attorney's fees) ("Losses") suffered or incurred by any of the Supplier Indemnitees in connection with any third-party claims against any of the Supplier Indemnitees arising from or relating to:

(a) all claims for bodily injury to persons or physical damage to tangible personal or real property for which FairPoint (and after the Closing Date Surviving Corporation and Buyers) are legally liable to that third party, except to the extent caused by the negligence or intentional misconduct of Supplier Indemnitees;

(b) all claims arising from a violation of any federal, state, local or foreign law, rule, regulation or order applicable to FairPoint by FairPoint;

(c) all claims for any Tax owed by Surviving Corporation and Buyers under Article XVII (including any Tax that is the subject of an exemption certificate which exemption is determined to have been inapplicable in whole or in part);

16.2 Indemnification by Supplier. Supplier shall indemnify and hold harmless FairPoint and after the Closing Date Surviving Corporation and Buyers and their respective officers, directors, employees, successors and assigns (collectively, "FairPoint Indemnitees") from and against any Losses suffered or incurred by any of the FairPoint Indemnitees in connection with any third-party claims against any of the FairPoint Indemnitees, arising from or relating to:

(a) all claims for bodily injury to persons or physical damage to tangible personal property or real property for which Supplier (and prior to the Closing Date Buyers) are legally liable to that third party, except to the extent caused by the negligence or intentional misconduct of FairPoint Indemnitees;

(b) all claims arising from a violation of any federal, state, local or foreign law, rule, regulation or order applicable to Supplier by Supplier; and

(c) all claims for any Tax owed by Supplier under Article XVII.

16.3 Tax Indemnification. FairPoint and after the Closing Date Buyers shall also jointly and severally indemnify and hold harmless Supplier and its Affiliates from and against any Tax owed to any of them under Article XVII (including any Tax that is the subject of an exemption certificate which exemption is determined to have been inapplicable in whole or in part), plus any costs or expenses (including reasonable attorneys' fees) suffered or incurred by Supplier or any Affiliate in defending itself against a claim for such Taxes.

16.4 Indemnification Procedure- Defense of Claims.

(a) (a) Third Party Claims. If any Indemnatee receives notice of the assertion of any claim or of the commencement of any action or proceeding by any entity that is not either a FairPoint Indemnatee or a Supplier Indemnatee (each, a "Third Party



Claim”) against such Indemnitee, with respect to which an Indemnitor is obligated to provide indemnification under this Agreement, the Indemnitee will give such Indemnitor prompt written notice thereof, but in any event not later than ten calendar days after receipt of notice of such Third Party Claim, provided, however, that the failure of an Indemnitee to notify the Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise). Upon receipt of notification of a Third Party Claim, the Indemnitor shall be entitled, upon written notice to the Indemnitee, to assume the investigation and defense thereof at such Indemnitor’s expense with counsel reasonably satisfactory to the Indemnitee, provided that the Indemnitor shall not have the right to assume the defense of any Third Party Claim in the event such Third Party Claim is primarily for injunctive relief or criminal penalty of the Indemnitee, and in any such case, the reasonable fees and expenses of counsel to the Indemnitee in connection with such Third Party Claim shall be considered “Losses” for purposes of this Agreement. Whether or not the Indemnitor elects to assume the investigation and defense of any Third Party Claim, the Indemnitee shall have the right to employ separate counsel and to participate in the investigation and defense thereof; provided, however, that the Indemnitee shall pay the fees and disbursements of such separate counsel unless (1) the employment of such separate counsel has been specifically authorized in writing by the Indemnitor; (2) the Indemnitor has failed to assume the defense of such Third Party Claim within 20 calendar days after receipt of notice thereof with counsel reasonably satisfactory to such Indemnitee; or (3) the named parties to the proceeding in which such claim, demand, action or cause of action has been asserted include both the Indemnitor and such Indemnitee and, in the reasonable judgment of counsel to such Indemnitee, there exists one or more good faith defenses that may be available to the Indemnitee that are in conflict with those available to the Indemnitor or that the Indemnitor and Indemnitee have actual material conflicting interests with respect to such claim, demand, action or cause of action. Notwithstanding the foregoing, the Indemnitor shall not be liable for the fees and disbursements of more than one counsel for all Indemnitees in connection with any one proceeding or any similar or related proceedings arising from the same general allegations or circumstances. Without the prior written consent of an Indemnitee, which shall not be unreasonably withheld or delayed, the Indemnitor will not enter into any settlement of or consent to the entry of judgment in connection with any Third Party Claim that (i) would lead to liability or create any financial or other obligation on the part of the Indemnitee, (ii) does not contain, as an unconditional term thereof, the release of the Indemnitee from all liability in respect of such Third Party Claim or such Third Party Claim is not dismissed against the Indemnitee with prejudice and without the imposition of any financial or other obligation on the Indemnitee or (iii) admits the liability or fault of the Indemnitee (the “Settlement Requirements”). If a settlement offer solely for money damages (and otherwise satisfying the Settlement Requirements) is made to resolve a Third Party Claim and the

Indemnitor notifies the Indemnitee in writing of the Indemnitor's willingness to accept the settlement offer and pay the amount called for by such offer without reservation of any rights or defenses against the Indemnitee and if the Indemnitee fails to consent to such settlement offer within ten calendar days after its receipt of such notice, Indemnitee may continue to contest such claim, free of any participation by the Indemnitor, and the amount of any ultimate liability with respect to such Third Party Claim that the Indemnitor has an obligation to pay hereunder shall be limited to the lesser of (x) the amount of the settlement offer that the Indemnitee declined to accept plus the Losses of the Indemnitee relating to such Third Party Claim through the date of its rejection of the settlement offer or (y) the aggregate Losses of the Indemnitee with respect to such claim. The party controlling any defense shall keep the other party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider in good faith all reasonable recommendations made by the other party with respect thereto.

(b) Direct Claims. Any claim by an Indemnitee for Losses that do not result from a Third Party Claim (each, a "Direct Claim") shall be asserted by giving the Indemnitor prompt written notice thereof, but in any event not later than 60 calendar days after the incurrence thereof or such Indemnitee's actual knowledge of such event (whichever is later), provided, however, that the failure of an Indemnitee to notify the Indemnitor within the time period set forth herein shall only relieve the Indemnitor from its obligation to indemnify to the extent that the Indemnitor is materially prejudiced by such failure or delay (whether as a result of the forfeiture of substantive rights or defenses or otherwise), and the Indemnitor will have a period of 30 calendar days within which to respond in writing to such Direct Claim. If the Indemnitor does not so respond within such 30 calendar day period, the Indemnitor will be deemed to have accepted such claim. If the Indemnitor rejects such claim, the Indemnitee will be free to pursue such remedies as may be available to the Indemnitee on the terms and subject to the provisions of this Article XVI.

#### 16.5 Surviving Liability.

(a) As of the date hereof and until the Closing, FairPoint shall be liable for any amounts owed to Supplier and its Affiliates pursuant to this Agreement.

(b) As of the Closing and thereafter, Surviving Corporation and Buyers shall be jointly and severally liable for any amounts owed to Supplier and its Affiliates pursuant to this Agreement.

## ARTICLE XVII

### TAXES

17.1 Taxes. The Buyers shall pay Supplier or its Affiliates for any Tax (except income taxes) levied upon any Transition Service or Schedule B Service or on Supplier or an Affiliate with respect to any Transition Service or Schedule B Service; provided, however, to the extent Tax is not collected and remitted by Supplier or its Affiliates, Buyers may remit such Tax directly to the appropriate Governmental Authority. If the Buyers determine that any Transition Service or Schedule B Service is exempt from a Tax, the Buyers shall provide Supplier with a properly completed and timely exemption certificate for each jurisdiction for which the Buyers are claiming an exemption before Supplier may exclude the respective Tax from the amounts charged the Buyers. Supplier will invoice the Buyers for applicable Taxes with respect to the Transition Services in the manner provided in Article VI. If the Buyers dispute any invoice for Taxes owing in good faith, it shall immediately notify Supplier in writing, giving the reasons for the dispute. The Buyers shall be responsible for and will reimburse Supplier for any costs and expenses incurred by Supplier in contesting those Taxes disputed by the Buyers before the appropriate Governmental Authority. Any amount due under this paragraph, which is not paid within 30 calendar days that is not subject to a good faith dispute, shall bear interest at the Applicable Rate until paid. Notwithstanding the foregoing, the Buyers shall not be obligated for, and Supplier shall pay, all Taxes on the income of Supplier (and, prior to the Closing, Buyers), and each party shall bear sole responsibility for all real or personal property-related Taxes on its owned or leased real or personal property (including sales and use taxes on such property acquired in order to provide the Transition Services), for franchise or similar Taxes on its business, for employment Taxes on its employees, and for intangible Taxes on property it owns or licenses.

## ARTICLE XVIII

### RECORDS; ACCESS

18.1 Records. Supplier and its Affiliates shall maintain records with respect to the Transition Services that are in a form and contain a level of detail similar to records, if any, that are maintained in providing similar services for Verizon New England Inc. and the Contributing Companies (and in any event consistent with applicable law), for a period of 1 year after the termination of this Agreement or such longer period as required by applicable law. Supplier shall also maintain records in accordance with applicable law and generally accepted accounting principles to substantiate charges for Third-Party Intellectual Property and Taxes for a period of 18 months from the date of termination or expiration of this Agreement. During the period in which Supplier is required to

maintain such records, upon prior written request to Supplier, Buyers shall have access to such records during normal business hours of Supplier or its applicable Affiliate at the place where such records are normally maintained.

18.2 Access to Books, Records, Personnel. During the term of this Agreement and for a period of 18 months thereafter, Supplier and its Affiliates shall permit Buyers and their employees, auditors and other representatives to have reasonable access, during normal business hours and upon reasonable advance notice, to books and records and appropriate personnel of Supplier and its Affiliates, to the extent such access is reasonably requested by Buyers in order to permit the evaluation of, and any required reporting, certifications and attestations with respect to, internal controls, processes and systems in connection with the provision of the Transition Services for purposes of compliance with the Sarbanes-Oxley Act of 2002.

## ARTICLE XIX

### DISPUTE RESOLUTION

19.1 General. Except with respect to injunctive relief described below, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, which shall not include any challenge or dispute as to the rate for any Transition Service payable under Article II or Section 14.2(b), shall attempt to be settled first, by good faith efforts of the parties to reach mutual agreement, and second, if mutual agreement is not reached to resolve the dispute, by final, binding arbitration as set out below.

19.2 Initiation. A party that wishes to initiate the dispute resolution process shall send written notice to the other party with a summary of the controversy and a request to initiate these dispute resolution procedures. Each party shall appoint a knowledgeable, responsible representative who has the authority to settle the dispute, to meet and to negotiate in good faith to resolve the dispute. The discussions shall be left to the discretion of the representatives who may utilize other alternative dispute resolution procedures such as mediation to assist in the negotiations. Discussions and correspondence among the representatives for purposes of these negotiations (i) shall be treated as confidential information under the Confidentiality Agreement developed for purposes of settlement, (ii) shall be exempt from discovery and production and (iii) shall not be admissible in the arbitration described above or in any lawsuit pursuant to Rule 408 of the Federal Rules of Evidence. Documents identified in or provided with such communications, which are not prepared for purposes of the negotiations, are not so exempted and may, if otherwise admissible, be admitted in evidence in the arbitration or

lawsuit. The parties agree to pursue resolution under this subsection for a minimum of 30 calendar days before requesting arbitration.

19.3 Arbitration Request. If the dispute is not resolved under the preceding subsection within 30 days of the initial written notice, either party may demand arbitration by sending written notice to the other party. The parties shall promptly submit the dispute to the American Arbitration Association for resolution by a single neutral arbitrator acceptable to both parties, as selected under the rules of the American Arbitration Association. The dispute shall then be administered according to the American Arbitration Association's Commercial Arbitration Rules, with the following modifications: (i) the arbitration shall be held in a location mutually acceptable to the parties, and, if the parties do not agree, the location shall be New York City, New York; (ii) the arbitrator shall be licensed to practice law; (iii) the arbitrator shall conduct the arbitration as if it were a bench trial and shall use, apply and enforce the Federal Rules of Evidence and Federal Rules of Civil Procedure; (iv) except for breaches related to Confidential Information, the arbitrator shall have no power or authority to make any award that provides for consequential, punitive or exemplary damages or extend the term hereof; (v) the arbitrator shall control the scheduling so that the hearing is completed no later than 30 days after the date of the demand for arbitration; and (vi) the arbitrator's decision shall be given within 5 days thereafter in summary form that states the award, without written decision, which decision shall follow the plain meaning of this Agreement, and in the event of any ambiguity, the intent of the parties. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction over the parties. Each party to the dispute shall bear its own expenses arising out of the arbitration, except that the parties shall share the expenses of the facilities to conduct the arbitration and the fees of the arbitrator equally.

19.4 Injunctive Relief and Specific Performance.

(a) The foregoing and Section 22.8 below notwithstanding, each party shall have the right to seek injunctive relief in any permitted court of law or equity to preserve the status quo pending resolution of the dispute and enforce any decision relating to the resolution of the dispute.

(b) If Supplier materially breaches its obligations with respect to planning for Cutover set forth in Article IV, Supplier agrees that FairPoint would be irreparably harmed, and, without any additional findings of irreparable injury or harm or other considerations of public policy, FairPoint shall be entitled to apply to a court of competent jurisdiction for and, provided FairPoint follows the appropriate procedural requirements (including notice and an affidavit that FairPoint has not failed to perform

its material obligations set forth in Article IV). Supplier shall not oppose the granting of an injunction compelling specific performance by the Supplier of its obligations under Article IV of this Agreement without the necessity of posting any bond or other security.

## ARTICLE XX

### PLANT WORK RULES AND RIGHT OF ACCESS

20.1 Compliance. Subject to any policies and procedures provided as set forth in Article XII above, the employees, subcontractors and agents of the parties, while on the premises of the other, shall comply with all reasonable and customary plant rules, regulations and standards for security which are not in violation of the terms and conditions of this Agreement.

20.2 Access to Facilities. Each party shall permit reasonable access commensurate with the requirements of the tasks to be performed during normal working hours to its facilities that are used in connection with the performance of Transition Services. No charge shall be made for such visits. Reasonable prior notice shall be given when access is required.

20.3 Computer Matters. Subject to any policies and procedures provided as set forth in Article XII above, to the extent that the Transition Services include a party's access to computer support systems or electronic data storage systems of the other party or its Affiliates, whether on-site or through remote facilities, the accessing party shall use such computer support systems solely for the purpose of providing or receiving Transition Services. An accessing party or its Affiliates shall not access or attempt to access any computer system, electronic file, software or other electronic services other than those specifically required to accomplish or receive the Transition Services required under this Agreement. Under no circumstances shall either party's personnel access any networks or facilities of the other party for the purpose of accessing other external networks, nor shall any such capabilities for such access be published or made known via any medium, as for example and not by way of limitation, posting on bulletin boards or E-mail. Any such use or publication shall be a material breach of this Agreement. Neither party shall use back doors, data capture routines, games, viruses, worms or Trojan horses, and any intentional introduction of such into the other party's data networks shall be deemed a material breach of this Agreement. The party receiving access shall limit such access to those of its employees whom the other party has authorized in writing to have such access in connection with this Agreement or the applicable Transition Service, and shall strictly follow all security rules and procedures

for use of the providing party's electronic resources. All user identification numbers and passwords and any information obtained as a result of access to and use of a party's computer and electronic data storage systems shall be deemed to be, and shall be treated as, Confidential Information under applicable provisions of the Confidentiality Agreement. Each party agrees to cooperate with the other in the investigation of any apparent unauthorized access to a party's computer or electronic data storage systems.

## ARTICLE XXI

### INSURANCE

21.1 Coverage. During the term of this Agreement, each party shall obtain and maintain the following insurance: (i) Commercial General Liability, including coverage for (a) premises/operations, (b) independent contractors, (c) products/completed operations, (d) personal and advertising injury, (e) contractual liability and (f) explosion, collapse and underground hazards, with combined single limit of not less than \$5,000,000.00 each occurrence or its equivalent; (ii) Worker's Compensation in amounts required by applicable law and Employer's Liability with a limit of at least \$1,000,000.00 each accident; and (iii) Automobile Liability including coverage for owned/leased, non-owned or hired automobiles with combined single limit of not less than \$1,000,000.00 each accident.

21.2 Self-insurance. Without limiting the required coverage amounts set forth in Section 21.1, all parties expressly acknowledge that a party shall be deemed to be in compliance with the provisions of this Section 21.2 if it maintains an approved self-insurance program providing for retention of up to \$1,000,000.00. If either party provides any of the foregoing coverage on a claims-made basis, such policy or policies shall be for at least a 3 year extended reporting or discovery period.

21.3 Rating. Unless otherwise agreed, all insurance policies shall be obtained and maintained with companies rated A or better by Best's Key Rating Guide, and each party shall, upon request, provide the other party with an insurance certificate confirming compliance with the requirements of this Section 21.3.

21.4 Subrogation. The parties shall each obtain from the insurance companies providing the coverage required by this Agreement, the permission of such insurers to allow such party to waive all rights of subrogation and such party does hereby waive all rights of said insurance companies to subrogation against the other party, its affiliates, subsidiaries, assignees, officers, directors and employees.

21.5 Indemnification. In the event any party fails to maintain the required insurance coverage and a claim is made or suffered, such party shall indemnify and hold harmless the other parties from any and all claims for which the required insurance would have provided coverage.

## ARTICLE XXII

### MISCELLANEOUS

22.1 Notices. All notices and other communications required or permitted hereunder shall be in writing and, unless otherwise provided in this Agreement, will be deemed to have been given when delivered in person or dispatched by electronic facsimile transfer (confirmed in writing by certified mail, concurrently dispatched) or one business day after having been dispatched for next-day delivery by a nationally-recognized overnight courier service to the appropriate party at the address specified below:

(a) If to the Buyers, to:

Northern New England Telephone Operations Inc.  
c/o Verizon Communications Inc.  
One Verizon Way, VC22E202  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2172  
Attn: Stephen E. Smith  
Vice President

With a copy (which shall not constitute notice) to:

Dale R. Chamberlain  
Assistant General Counsel  
Verizon Communications Inc.  
One Verizon Way, VC 54S403  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2068

and

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022



Facsimile: (212) 909-6836  
Attn: Kevin M. Schmidt

(b) If to the FairPoint or Surviving Corporation, to:

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimile: 704.344.1594  
Attn: Peter G. Nixon  
Chief Operating Officer

and

FairPoint Communications, Inc.  
521 E. Morehead St., Ste. 250  
Charlotte, NC 28202  
Facsimilie: 704.344.1594  
Attn: Shirley J. Linn  
Executive Vice President and General Counsel

With a copy to (which shall not constitute notice):

Paul, Hastings, Janofsky & Walker LLP  
75 East 55th Street  
New York, NY 10022  
Facsimile No.: (212) 230-7700  
Attn: Thomas E. Kruger

(c) If to Supplier, to:

Verizon Information Technologies LLC  
c/o Verizon Communications Inc.  
One Verizon Way, VC22E202  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2172  
Attn: Stephen E. Smith  
Vice President

With a copy (which shall not constitute notice) to:

Dale R. Chamberlain  
Assistant General Counsel  
Verizon Communications Inc.

One Verizon Way, VC 54S403  
Basking Ridge, NJ 07920  
Facsimile: (908) 696-2068

and

Debevoise & Plimpton LLP  
919 Third Avenue  
New York, NY 10022  
Facsimile: (212) 909-6836  
Attn: Kevin M. Schmidt

or to such other address or addresses as such party may, from time to time, designate by like notice.

22.2 Assignment; Exclusivity. The Buyers, FairPoint, Surviving Corporation and their Affiliates shall not assign any of their rights or obligations under this Agreement (by assignment, operation of law, merger or otherwise) without the prior written consent of Supplier, which may be withheld in its sole discretion, and any such prohibited assignment shall be null and void; provided, however, that (i) Buyers and FairPoint may, without the consent of Supplier, (A) assign any of their rights and obligations, in whole or in part, hereunder to any Affiliate of Buyers controlled, directly or indirectly, by FairPoint (it being agreed that any such assignment shall not relieve Buyers or FairPoint from their respective obligations hereunder) and (B) collaterally assign, in whole or in part, any of their rights hereunder as security to one or more lenders; provided that such lenders agree to the terms and conditions of this Agreement. The Supplier may assign any of its rights and obligations to an Affiliate or Affiliates of Supplier without the consent of Buyers, FairPoint or Surviving Corporation (it being agreed that, any such assignment shall not relieve Supplier of its obligations hereunder). This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their respective permitted successors and assigns.

22.3 Amendments. This Agreement may be amended or modified only by a subsequent writing signed by authorized representatives of all parties.

22.4 Headings/Captions. The headings and captions set forth in this Agreement are for convenience only and shall not be considered as part of this Agreement nor as in any way limiting or amplifying the terms and provisions hereof.

22.5 Entire Agreement. This Agreement (together with its Schedules), the Distribution Agreement and the Merger Agreement supersede and revoke any prior

discussions and representations, other agreements, term sheets, commitments, arrangements or understandings of any sort whatsoever, whether written or oral, that may have been made or entered into by the parties relating to the matters contemplated hereby; provided, that if there is a conflict between the provisions of the Distribution Agreement, the Merger Agreement and this Agreement, the provisions of this Agreement shall govern and control.

22.6 Waiver. Except as otherwise expressly provided in this Agreement, neither the failure nor any delay on the part of any party to exercise any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise or waiver of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege available to each party at law or in equity.

22.7 Counterparts. This Agreement may be executed in one or more counterparts, any or all of which shall constitute one and the same instrument.

22.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (except that no effect shall be given to any conflicts of law principles of the State of New York that would require the application of the laws of any other jurisdiction). The parties irrevocably submit to the exclusive jurisdiction of any New York State Court or any Federal Court located in the borough of Manhattan in the City of New York for purposes of any suit, action or other proceeding to enforce the provisions of Article XIX or any arbitration award under Article XIX. The parties agree that service of process, summons or notice or document by U.S. registered mail to such party's respective address set forth in Section 21.1 shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction as set forth above in the immediately preceding sentence. **THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER AGREEMENT ENTERED INTO IN CONNECTION THEREWITH AND FOR ANY COUNTERCLAIM WITH RESPECT THERETO.** In the event of any breach of the provisions of this Agreement, the non-breaching party shall be entitled to seek equitable relief, including in the form of injunctions and orders for specific performance, where the applicable legal standards for such relief in such courts are met, in addition to all other remedies available to the non-breaching party with respect thereto at law or in equity.

22.9 Further Assurances. From time to time after the Closing Date, as and when requested by one of the parties, the other parties will use their commercially reasonable efforts to execute and deliver, or cause to be executed and delivered, all such documents and instruments as may be reasonably necessary or appropriate, in the reasonable opinion of counsel for Supplier and the Buyers, to provide or receive the services or perform the obligations contemplated by this Agreement.

22.10 Severability. If any provision of this Agreement is determined to be invalid, illegal or unenforceable by any Governmental Authority, the remaining provisions of this Agreement to the extent permitted by law shall remain in full force and effect provided that the essential terms and conditions of this Agreement for both parties remain valid, binding and enforceable and provided that the economic and legal substance of the transactions contemplated is not affected in any manner materially adverse to any party. In the event of any such determination, the parties agree to negotiate in good faith to modify this Agreement to fulfill, as closely as possible, the original intents and purposes hereof. To the extent permitted by law, the parties hereby to the same extent waive any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

22.11 No Third-Party Beneficiary. Nothing herein expressed or implied is intended to confer upon any Person, other than the parties and their respective permitted assignees, any right, obligations or liabilities under or by reason of this Agreement; provided however, that notwithstanding the foregoing, each subsidiary of the Surviving Corporation which engages in the Spinco Business as conducted on the Closing Date as a successor to one or more of the Contributing Companies in whole or in part is an intended third-party beneficiary.

22.12 Independent Contractor. The parties hereto understand and agree that this Agreement does not make any of them an agent or legal representative of any other for any purpose whatever. No party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of any other party or to bind any other party in any manner whatsoever. The parties expressly acknowledge (i) that Supplier and its Affiliates are independent contractors with respect to the Buyers and their Affiliates in all respects, including, without limitation, the provision of Transition Services and (ii) the parties are not partners, joint venturers, employees or agents of or with each other.

22.13 Governing Provisions. To the extent that any of the provisions, terms or conditions set forth in this Agreement are inconsistent or conflict with any specific provisions or descriptions set forth in any Schedule to this Agreement, the provisions of

the Schedule shall govern and control, provided, that if the provisions of any Schedule are inconsistent with the provisions of Section 3.1 or 3.2 of this Agreement, then Section 3.1 or 3.2 shall control. If the provisions of the “General Provisions and Select Definitions” of the Schedule A, Schedule C and Schedule D, are inconsistent with or conflict with any specific Transition Service description subsection of Schedule A, Schedule C or Schedule D, then such “General Provisions and Select Definitions” shall control.

22.14 Force Majeure. If performance of any Transition Service or other obligation under this Agreement is prevented, restricted, interrupted or interfered with by reason of acts of God, wars, revolution, civil commotion, acts of public enemy, embargo, acts of government in its sovereign capacity, labor difficulties, including, without limitation, strikes, slowdowns, picketing or boycotts, communication line failures, power failures, or any other circumstances beyond the reasonable control and not involving any willful misconduct or gross negligence of the party seeking relief under this Section 21.14 or its Affiliates (each, a “Force Majeure Event”), such party upon giving prompt notice to the other, shall be excused from such performance on a day-to-day basis during the continuance of such prevention, restriction or interference, provided, however, that such party shall use its commercially reasonable efforts to avoid or remove such causes of nonperformance and shall proceed immediately with the performance of its obligations under this Agreement whenever such causes are removed or cease; provided further, however, that, except as provided in Article XIV, in no event shall any of the foregoing result in an extension of the term of this Agreement. Without limiting the generality of the foregoing, Supplier shall make available to FairPoint and Buyers any business continuity and disaster recovery services that Supplier has in place for its own operations on an equal basis as Supplier makes such business continuity and disaster recovery services available to its own operations similarly affected by such Force Majeure Event. Notwithstanding the foregoing, if Supplier’s performance is excused by a Force Majeure Event, and Supplier fails to resume full performance of all its obligations hereunder within 10 business days of the onset of the Force Majeure Event, the Buyers or FairPoint may terminate this Agreement without penalty or other liability whatsoever (other than for Transition Services previously rendered), in whole or in part, immediately upon written notice to Supplier. Furthermore, if either party does not perform any of its obligations hereunder as a result of a Force Majeure Event, and the other party’s performance of its obligations hereunder are conditioned upon the first party’s performance, then notwithstanding anything in this Agreement to the contrary, the party’s performance will be excused until such time as the first party has performed those obligations prevented by the Force Majeure Event.

22.15 Confidentiality. For all purposes of this Section 22.15, Confidential Information of Buyers shall be deemed Confidential Information of FairPoint, and Confidential Information of FairPoint shall be deemed Confidential Information of

Buyers. For purposes of this Agreement, Confidential Information of Buyers/FairPoint shall mean (i) the Customer Data (as that term is defined in the Intellectual Property Agreement) and any updates thereto provided by Buyers or FairPoint to Supplier or any of its Affiliates pursuant to this Agreement, (ii) non-public, non-technical information based on Customer Data created by Supplier in the performance of Transition Services pursuant to this Agreement, and (iii) non-public, non-technical business information related to Cutover as disclosed by Buyer or FairPoint pursuant to Section 4.1. For purposes of this Agreement, Confidential Information of Supplier shall mean (i) Licensed Intellectual Property, (ii) any technical information provided to Buyer or FairPoint or any of their Affiliates by Supplier or any of its Affiliates pursuant to this Agreement, and (iii) any information provided to Buyer, FairPoint or any of their Affiliates or contractors by Supplier or any of its Affiliates pursuant to Section 4.1, including, but not limited to, technical information, data formats, software, documentation, and software scripts.

(a) Obligations

FairPoint and Supplier will each refrain from disclosure of Confidential Information of the other party to any Person not authorized by the other party and will use the Confidential Information of the other party solely for the performance of or use of Transition Services; it being understood and agreed that each party will use the same level of care (including both facility physical security and electronic security) to prevent unauthorized disclosure and/or use by third parties of the Confidential Information of the other party as it employs to avoid unauthorized disclosure or use of its own information of a similar nature, but in no event less than a reasonable standard of care.

Notwithstanding the foregoing obligations (but subject to compliance with law) the parties may disclose to and permit use of the Confidential Information of the other party by their respective legal counsel, auditors, contractors and subcontractors where: (i) such disclosure and use is reasonably necessary; and (ii) such auditors, contractors and subcontractors are bound by obligations of confidentiality, non-disclosure and other terms as restrictive in scope as those set forth in this Section 22.15.

(b) Exclusions

Notwithstanding the foregoing, this Section 22.15 shall not apply to any information which Supplier or FairPoint can demonstrate was or is: (a) at the time of disclosure to it, in the public domain; (b) after disclosure to it, published or otherwise becomes part of the public domain through no fault of the receiving party; (c) received after disclosure to it from a third party, who had a lawful right to and, without a breach of duty owed to the disclosing party, without any restriction on use or disclosure; or (d) independently developed by or for the receiving party without reference to or use of the Confidential

Information of the disclosing party. Further, either party may disclose the other party's Confidential Information to the extent required by law or order of a court or governmental agency. However, in the event of disclosure pursuant to an order of a court or governmental agency, and subject to compliance with law or such order of a court or governmental agency, the recipient of such Confidential Information shall give the disclosing party prompt notice to permit the disclosing party an opportunity, if available, to obtain a protective order or otherwise protect the confidentiality of such information, all at the disclosing party's cost and expense.

(c) Ownership

All Confidential Information of a party or a designated group shall remain the exclusive property of the disclosing party and the disclosure shall not grant any express or implied interest in the other party or its subcontractors to such Confidential Information. Upon written request by a party at any time and without regard to the default status of the parties under this Agreement, the other party shall promptly return to the disclosing party the Confidential Information in the format as it exists on the date of the request.

(d) Loss of or Unauthorized Access to Confidential Information

Each of Supplier and FairPoint shall promptly notify the other party in writing if it becomes aware of any disclosure or use in violation of this Agreement of the other party's Confidential Information that is in such party's or an Affiliate's or subcontractor's possession.

(e) Data Privacy

FairPoint shall be and remain the controller of Confidential Information of the Buyer for purposes of all applicable laws relating to data privacy, personal data, transborder data flow and data protection (collectively, the "Privacy Laws"), with rights to determine the purposes for which Confidential Information of Buyer is processed, and nothing in this Agreement will restrict or limit in any way FairPoint's rights or obligations as owner and/or controller of Confidential Information of Buyer for such purposes.

(f) Limitation

The obligations of this Section 22.15 (a) will apply after the Effective Date to any Confidential Information disclosed to the receiving party after the Effective Date and (b) will continue and must be maintained with respect to Confidential Information for a period: (i) in the case of Personally Identifiable Information or software (including software scripts and data formats), in perpetuity, and (ii) in the case of all other Confidential Information, except as otherwise set forth in the Merger Agreement, the Distribution Agreement or Intellectual Property Agreement, for a period of [ten] years from receipt.

Personally Identifiable Information means personally identifiable information included in Customer Data. Personally Identifiable Information may include social security numbers, personal credit histories, personal financial information and employment records.



IN WITNESS WHEREOF, the parties, acting through their duly authorized representatives, have caused this Agreement to be duly executed and delivered as of the date first above written.

**VERIZON INFORMATION  
TECHNOLOGIES LLC.**

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

**FAIRPOINT COMMUNICATIONS,  
INC.**

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

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

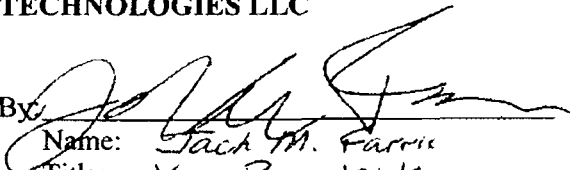
By: \_\_\_\_\_  
Name:  
Title:

**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**

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

IN WITNESS WHEREOF, the parties, acting through their duly authorized representatives, have caused this Agreement to be duly executed and delivered as of the date first above written.

**VERIZON INFORMATION  
TECHNOLOGIES LLC**

By:   
Name: *Jack M. Farris*  
Title: *Vice President*

**FAIRPOINT COMMUNICATIONS, INC.**

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

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

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

**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**


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

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**VERIZON INFORMATION  
TECHNOLOGIES LLC**

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

**FAIRPOINT COMMUNICATIONS, INC.**

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

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

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

**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**

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

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**VERIZON INFORMATION  
TECHNOLOGIES LLC**

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

**FAIRPOINT COMMUNICATIONS, INC.**

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

**NORTHERN NEW ENGLAND  
TELEPHONE OPERATIONS INC.**

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

**ENHANCED COMMUNICATIONS OF  
NORTHERN NEW ENGLAND INC.**

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