

# \$942 million in Increased Commitments by FairPoint and Verizon Required by State Regulators in ME, NH and VT

(\$ Millions)

New FairPoint Hard Commitments and Contingent Exposure	
<b>Maine</b>	
<i>Hard Commitments</i>	
\$18 million rate reductions (proportionally reduced with line losses; \$9 million in 2008); guaranteed through July 2013, assume no rate change from 2013 to 2015; pre-tax dollars	\$110.0
Increased broadband investment	\$15.0
Reduced dividends for at least 4 yrs to cut debt	\$200.0
<b>Total FairPoint increased hard costs</b>	<b>\$325.0</b>
<i>Contingent Exposure</i>	
Additional debt reduction in 2012 if leverage ratio exceeds 3.6 in 2011 (one option of three available)	\$150.0
<b>Total FairPoint increased hard costs / contingent exposure from Maine stipulation / settlement</b>	<b>\$475.0</b>
<b>Vermont</b>	
<i>Hard Commitments</i>	
New DSL penetration metric (100%/50%)	\$25.0
Pole remediation	\$3.0
<b>Total FairPoint increased hard costs</b>	<b>\$28.0</b>
<i>Contingent Exposure</i>	
PEP set asides*	\$12.5
Failure to meet 100%/50% target	\$9.0
<b>Total FairPoint increased contingent exposure</b>	<b>\$21.5</b>
<b>Total FairPoint increased hard costs / contingent exposure from proposed Vermont stipulation</b>	<b>\$49.5</b>
<b>New Hampshire</b>	
<i>Hard Commitments</i>	
Increased broadband investment	\$15.0
Pole remediation	\$5.0
Expenditure of Verizon cash contribution for NH	\$50.0
<b>Total FairPoint increased hard costs / contingent exposure from proposed New Hampshire stipulation</b>	<b>\$70.0</b>
<b>Other new expense increases disclosed in stipulations</b>	
Increased initial broadband investment	\$8.7
Two-month extension of TSA (per FairPoint)	\$7.0
<b>Total Other Increased Hard/Contingent costs disclosed in stipulations</b>	<b>\$15.7</b>
<b>TOTAL additional hard commitments and expenses</b>	<b>\$438.7</b>
<b>TOTAL additional contingent exposure</b>	<b>\$171.5</b>
<b>TOTAL additional costs and contingent exposure</b>	<b>\$610.2</b>

Verizon Commitments	
<b>Maine</b>	
Cash contribution to Spinco working capital	\$235.5
"Forgiveness" for Verizon's accelerated DSL spending	\$12.0
<b>Total cash and debt forgiveness contribution to FairPoint from Maine settlement</b>	<b>\$247.5</b>
<b>Vermont</b>	
Required deposit for PEP/Service Quality remediation	\$25.0
Required deposit for dual pole remediation	\$6.7
<b>Total cash deposits required</b>	<b>\$31.7</b>
<b>New Hampshire</b>	
Cash contribution for FairPoint to expend exclusively in New Hampshire	\$50.0
<b>Total cash and debt forgiveness from Verizon to FairPoint in Maine, New Hampshire and Vermont</b>	<b>\$329.2</b>
<b>Contingent Payment to FairPoint if line losses exceed 10% in each of the first two years (\$15 million per year)</b>	<b>\$30.0</b>
Payment to the MaineConnectME Authority (not FairPoint)	\$2.5
<b>Total Verizon commitments and contingent exposure</b>	<b>\$361.7</b>

\* Assumes that the \$25 million VZ deposit nets against the previous \$37.5 million contingent obligation of FRP for PEP remediation