

APPENDIX "A"

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 Releasers" 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.