Exhibit

FP-13

Pamco Printers NYC #481

STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

DT 10-025

Request for Approvals in Connection with the
Reorganization Plan of FairPoint Communications, Inc.
and Subsidiaries

TESTIMONY OF
LISA R. HOOD
ON BEHALF OF FAIRPOINT COMMUNICATIONS, INC.

APRIL 30, 2010

Ms. Hood sponsors the following Exhibits:

Exhibit LH-1	Form 10-Q/A for period ending March 31, 2009
Exhibit LH-2	Form 10-Q/A for period ending June 30, 2009
Exhibit LH-3	Form 10-Q/A for period ending September 30, 2009

Q. Please state your name and your business address.

A. My name is Lisa R. Hood. My office address is 908 W. Frontview Street, Dodge City, Kansas 67801.

Q. By whom are you employed and in what capacity?

A. I have held leading finance, accounting and operational roles with FairPoint Communications, Inc. ("FairPoint") and its predecessor companies since 1993. Since February 2008, I have been employed by FairPoint as Senior Vice President and Corporate Controller. After the resignation of Chief Financial Officer Alfred C. Giammarino in March 2010, I was appointed Chief Financial Officer on an interim basis while FairPoint seeks a permanent Chief Financial Officer.

Q. Please describe your educational and professional background?

A. I am a graduate of Fort Hays State University in Hays, Kansas, where I received a Bachelor of Business Administration. I am a certified public accountant, and an active member of the AICPA and the Kansas Society of CPAs.

Before becoming interim Chief Financial Officer in March of this year and Senior Vice President/Corporate Controller for the entirety of FairPoint in 2008, I served as Corporate Controller for the legacy FairPoint companies and as Chief Operating Officer of the legacy FairPoint companies. Before joining FairPoint, I served as manager of a public accounting firm in Kansas. I have over 20 years of experience in telecommunications and accounting.

Q. What are your duties and responsibilities at FairPoint?

A. As interim Chief Financial Officer, I am responsible for all financial aspects of FairPoint's business, including, financial reporting and internal controls, financial planning and budgeting, taxation, investor relations, treasury and risk management.

Q. In the course of your duties, have you participated in the management of FairPoint during its Chapter 11 bankruptcy proceeding and in the development of FairPoint's plan of reorganization?

A. Yes.

Q. What is the purpose of your testimony?

A. The overall purpose of my testimony is to adopt and supplement certain portions of the previous testimony of my immediate predecessor, Alfred C. Giammarino. In addition to adopting Mr. Giammarino's testimony, I will provide a brief explanation and update regarding the restatements of 2009 quarterly revenues that Mr. Giammarino referenced in his testimony. I will also discuss certain aspects of FairPoint's Plan Supplement, filed with the Bankruptcy Court on April 23, 2010.

Q. Have you reviewed the testimony in this proceeding of Alfred C. Giammarino, dated February 24, 2010?

A. Yes.

Q. Is it true and accurate to the best of your knowledge, information and belief?

A. Yes, and as Mr. Giammarino's successor as Chief Financial Officer, I ratify, adopt and sponsor Sections I through III, as well as the witness introductions beginning at page 4, line 6.

Q. On February 23, 2010, one day before Mr. Giammarino's testimony, FairPoint filed a Current Report on Form 8-K with the United States Securities and Exchange Commission ("SEC"). Mr. Giammarino testified that this filing was necessary due to an accounting error that impacted the accuracy of the interim consolidated financial statements previously issued in FairPoint's Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2009, June 30, 2009 and September 30, 2009. He described this error as resulting from (i) a deficiency in the transfer of certain known customer billing adjustments from the Company's billing platform to the general ledger, and (ii) procedural deficiencies that allowed these errors to go undetected. He testified that this matter was being reviewed by FairPoint's Audit Committee and its independent auditor, Ernst & Young, and that he would supplement his testimony at the conclusion of this review. Are you prepared to offer this supplemental testimony?

A. Yes. The issues giving rise to the need for the restatement were (i) a deficiency in the transfer ("journaling") of customer billing adjustments to the general ledger and (ii) other billing adjustments and billing credits.

With regard to the journaling issue, we determined that an incorrect setting of certain system parameters within our Kenan billing system resulted in a mismatch in the interactions between Kenan and the FairPoint general ledger system. This error was confined to the particular case in which billing credits applied to a customer account resulted in an invoice with a negative balance (i.e., with a credit balance in favor of the customer). The Kenan billing system was configured not to allow an invoice with a negative balance. Although manual steps were undertaken to make sure that the proper credits were made to customer bills, portions of the credits were not recorded in the general ledger for accounting purposes, with the result that revenues were overstated.

Q. Did this problem occur with all billing adjustments?

A. No, this problem was restricted to the situation I described, in which the credit exceeded the invoice balance. I also note that this problem did not cause incorrect bills to be issued; the error only affected the journaling process.

Q. Please describe the other billing adjustments and billing credits.

A. Due to the issues we experienced at and after cut-over, a billing reconciliation process was put into place during the third quarter. As this process identified billing errors, adjustments were recorded. In conjunction with the restatement process, these adjustments have been reported in the quarter in which the billing error occurred.

Q. Mr. Giammarino testified that these discrepancies were estimated to be less than 3% of total revenues. Has that proven to be the case?

A. Yes. The revenue adjustments amounted to $25.0 million, or approximately 2.8% of originally reported revenues for the period from January 1, 2009 to September 30, 2009.

Q. Has FairPoint resolved the problem with the Kenan system that created these discrepancies?

A. Yes. We have corrected the billing system settings so that they properly journal the identified transactions to the general ledger.

Q. Mr. Giammarino also referred to procedural deficiencies that allowed these journaling errors to go undetected. How has FairPoint addressed these?

A. We have enhanced our account reconciliation and review procedures to detect this type of error on a timely basis in the future. We believe these measures have remedied the deficiencies described above and will strengthen our internal controls over financial reporting. We are committed to continuing to improve our internal control processes and will continue to review our financial reporting controls and procedures. To that end, a third party review will be conducted of our internal controls and reporting processes related to billing, accounts receivable and revenue reporting. We have been evaluating potential consultants, and expect to have retained a qualified consultant by May 5, 2010.

Our management, with the oversight of the audit committee of our board of directors, will continue to assess and take steps to enhance the overall design and capability of our control environment in the future.

Q. Mr. Giammarino also testified that the review would coincide with the filing of amended quarterly reports. Have these amended reports been prepared and filed?

A. Yes. Amended Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2009, June 30, 2009 and September 30, 2009 have been filed with the SEC today. Copies of those reports are attached to my testimony as Exhibits LH-1, LH-2 and LH-3.

Q. Have any other significant items been adjusted in the amended filings?

A. Yes. The March 31, 2009 10Q-A includes an adjustment to other income to write off a $9.6 million receivable associated with a disputed item. This is a one-time, non-operating charge and has no ongoing impact on earnings beyond March 31, 2009.

Q. What is the status of FairPoint's Annual Report on Form 10-K for the fiscal year ending December 31, 2009?

A. FairPoint's financial statements for the fiscal year ended December 31, 2009 are being audited by FairPoint's independent accountants, Ernst & Young LLP. Following completion of the audit, FairPoint will file its Annual Report on Form 10-K for 2009.

We estimate that we will complete and file our Annual Report on Form 10-K by May 31, 2010.

Q. Are there any other developments in the Chapter 11 process of which the Commission should be aware?

A. Yes. On April 23, 2010, FairPoint filed its Chapter 11 Plan Supplement with the bankruptcy court. A copy of this document was filed with the Commission on April 26, 2010. Although this document speaks for itself, I would like to summarize certain features of the Plan Supplement.

First, FairPoint will not reject any wholesale agreements with competitive local exchange carriers, *e.g.* Section 252 interconnection agreements, wholesale tariffs, "commercial agreements" such as Wholesale Advantage Agreements or VISTA Agreements, or settlement agreements related to its acquisition of Verizon's assets in DT 07-011. I should emphasize, however, that this does not necessarily mean that FairPoint has approved any or all claims based on those agreements, and it reserves the right to dispute those claims. Furthermore, FairPoint reserves the right to terminate and/or renegotiate those agreements in accordance with the terms of those agreements, as amended or as modified by other applicable agreements. I would point out that FairPoint's bankruptcy reorganization plan allows for the possibility of further contract rejections, but FairPoint does not intend to exercise that right with respect to these agreements with wholesale customers. FairPoint has mailed notices of assumption and cure with respect to these agreements.

Second, in conformance with the Regulatory Settlement with the Commission Staff Advocates, FairPoint has proposed that New Hampshire resident Wayne Wilson be elected to its board of directors. Mr. Wilson, a resident of Sunapee, has been an independent business advisor since 2002. From 1995 to 2002, Mr. Wilson served in various roles as President, Chief Operating Officer and Chief Financial Officer of PC Connection, Inc., a Fortune 1000 direct marketer of information technology products and services. From 1986 to 1995, Mr. Wilson was a partner in the assurance and advisory services practice of Deloitte & Touche LLP. Mr. Wilson currently serves as a director of ARIAD Pharmaceuticals, Inc., Edgewater Technology, Inc. and Hologic, Inc. He previously served as a director of Cytyc Corporation. Mr. Wilson received an A.B. in political science from Duke University, and an MBA from the University of North Carolina at Chapel Hill. He is a certified public accountant in New Hampshire and North Carolina.

Third, also in conformance with the Regulatory Settlement, the Plan Supplement provides that the Success Bonus Plan for participating FairPoint management will be based on the attainment of certain performance measures, as determined by the Compensation Committee of the board of directors, weighted as follows:

i. 67% for Cumulative EBITDAR,[1] and

[1] Consolidated EBITDAR minus Consolidated Capital Expenditures, each as defined in the Debtor-in-Possession Credit Agreement dated as of October 27, 2009, as amended.

ii. 11% for each of "Calls Answered within 20 Seconds;" "Monthly Average of Installation Appointments Not Met for Company Reasons;" and "Monthly Average of Repair Appointments met on time."[2]

Fourth, the "New Term Loan Agreement" and the "New Revolving Facility" (collectively with all related loan documents, the "New Credit Agreements") contain substantially the same material terms and conditions as contained in the Plan Support Agreement on file with the Bankruptcy Court as of October 26, 2009.

Q. Does this conclude your testimony?

A. Yes, it does.

[2] The Compensation Committee may make its determinations by taking into account or disregarding any extraordinary natural events relevant to any performance measures or results.

EXHIBIT LH-1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 2

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2009.

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 333-56365

FairPoint Communications, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**13-3725229** (I.R.S. Employer Identification No.)
521 East Morehead Street, Suite 500 **Charlotte, North Carolina** (Address of Principal Executive Offices)	**28202** (Zip Code)

(704) 344-8150
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and"smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 24, 2009, there were 89,496,847 shares of the Registrant's common stock, par value $0.01 per share, outstanding.

Documents incorporated by reference: **None**

EXPLANATORY NOTE

FairPoint Communications, Inc. (the "Company") is filing this Amendment No. 2 on Form 10-Q/A (this "Amendment No. 2") to reflect the effect of an accounting error, a one-time non-operating loss related to a disputed claim, and certain billing and other adjustments. On February 23, 2010 the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission (the "SEC") describing such accounting errors and certain billing adjustments. The accounting error and the billing and other adjustments resulted in an overstatement of revenues for the three months ended March 31, 2009 of $12.3 million, an understatement of operating expenses for the three months ended March 31, 2009 of $0.1 million and an overstatement of other income for the three months ended March 31, 2009 of $9.6 million, in each case as reported in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, which was originally filed with the SEC on May 5, 2009, and was subsequently amended on May 8, 2009 (the "Original Filing"). The restatement of the interim condensed consolidated financial statements contained in this Amendment No. 2 (the "restatement"), which restatement accounts for the foregoing overstatement and understatement, resulted in a reduction in net income of $13.5 million, net of income taxes, for the three months ended March 31, 2009. The restatement is discussed in more detail in note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 2.

For ease of reference, this Amendment No. 2 amends and restates the Original Filing in its entirety. However, "Part I—Item 1. Financial Statements," "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," "Part I—Item 4. Controls and Procedures," "Part II—Item 1A. Risk Factors" and "Part II—Item 6. Exhibits" are the only sections in which revisions to the Original Filing have been made. In addition, as required by Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, the Company's principal executive officer and principal financial officer have provided new Rule 13a-14(a) certifications and Section 1350 certifications in connection with this Amendment No. 2.

The information in this Amendment No. 2 that is not affected by the restatement of the interim condensed consolidated financial statements from the Original Filing remains unchanged and reflects the disclosure at the time of the Original Filing. Therefore, this Amendment No. 2 should be read in conjunction with the Company's other filings made with the SEC subsequent to the Original Filing.

INDEX

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Restated)	
	Condensed Consolidated Balance Sheets as of March 31, 2009 and December 31, 2008	6
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008	7
	Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2009	8
	Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2009 and 2008	9
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2008	10
	Notes to Consolidated Financial Statements	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)	39
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	54
Item 4.	Controls and Procedures (Restated)	55
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	57
Item 1A.	Risk Factors (Restated)	57
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	59
Item 3.	Defaults Upon Senior Securities	61
Item 4.	Submission of Matters to a Vote of Security Holders	61
Item 5.	Other Information	61
Item 6.	Exhibits (Restated)	61
	Signatures	62

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Quarterly Report are known as "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements may relate to, among other things:

- future performance generally;
- restrictions imposed by the agreements governing our indebtedness;
- our ability to satisfy certain financial covenants included in the agreements governing our indebtedness;
- anticipated business development activities and future capital expenditures;
- financing sources and availability, and future interest expense;
- the effects of regulation, including restrictions and obligations imposed by federal and state regulators as a condition to the approval of the merger;
- our dividend policy and expectations regarding dividend payments;
- material adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial or operational impact, in the markets we serve;
- availability of net operating loss carryforwards to offset anticipated tax liabilities;
- our ability to meet obligations to our company sponsored pension plans;
- our ability to remediate material weaknesses in our internal controls over financial reporting;
- material technological developments and changes in the communications industry, including disruption of our suppliers' provisioning of critical products or services;
- use by customers of alternative technologies;
- availability and levels of regulatory support payments;
- the effects of competition on the markets we serve; and
- changes in accounting assumptions that regulatory agencies, including the Securities and Exchange Commission, referred to as the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings.

These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this Quarterly Report that are not historical facts. When used in this Quarterly Report, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed in this Quarterly Report and in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008 and "Part II—Item 1A. Risk Factors" contained in this Quarterly Report. You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date on which this Quarterly Report was filed with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent periodic reports filed with the SEC on Forms 10-K, 10-Q and 8-K and Schedule 14A.

Except as otherwise required by the context, references in this Quarterly Report to:

- *"FairPoint," the "Company," "our company," "we," "us" or "our" refer to the combined business of FairPoint Communications, Inc. and all of its subsidiaries after giving effect to the merger on March 31, 2008 with Northern New England Spinco Inc. ("Spinco"), a subsidiary of Verizon Communications Inc. ("Verizon"), which transaction is referred to herein as the "merger";*
- *"Northern New England operations" refers to the local exchange business acquired from Verizon and all of its subsidiaries after giving effect to the merger;*
- *"Legacy FairPoint" refers to FairPoint Communications, Inc. exclusive of our acquired Northern New England operations; and*
- *"Verizon Northern New England business" refers to the local exchange business of Verizon New England Inc. ("Verizon New England") in Maine, New Hampshire and Vermont and the customers of Verizon and its subsidiaries' (other than Cellco Partnership) (collectively, the "Verizon Group") related long distance and Internet service provider business in those states prior to the merger.*

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

March 31, 2009 and December 31, 2008

(Unaudited)

(in thousands, except share data)

	March 31, 2009 Restated	December 31, 2008
Assets		
Current assets:		
Cash	$ 92,542	$ 70,325
Restricted cash	4,407	8,144
Accounts receivable, net	170,434	173,589
Materials and supplies	36,032	38,694
Other	26,802	28,747
Deferred income tax, net	33,792	31,418
Total current assets	**364,009**	**350,917**
Property, plant, and equipment, net	2,014,583	2,013,515
Intangibles assets, net	228,748	234,481
Prepaid pension asset	9,225	8,708
Debt issue costs, net	24,695	26,047
Restricted cash	50,796	60,359
Other assets	16,470	21,094
Goodwill	595,120	619,372
Total assets	**$3,303,646**	**$3,334,493**
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 45,000	$ 45,000
Current portion of capital lease obligations	1,999	2,231
Accounts payable	169,993	147,778
Dividends payable	—	23,008
Accrued interest payable	36,634	18,844
Interest rate swaps	39,860	41,274
Other non-operating accrued liability	—	19,000
Other accrued liabilities	70,556	70,887
Total current liabilities	**364,042**	**368,022**
Long-term liabilities:		
Capital lease obligations	7,107	7,522
Accrued pension obligation	48,154	46,801
Employee benefit obligations	233,012	225,840
Deferred income taxes	120,304	154,757
Unamortized investment tax credits	5,204	5,339
Other long-term liabilities	28,332	35,492
Long-term debt, net of current portion	2,464,306	2,425,253
Interest rate swap agreements	30,197	41,681
Total long-term liabilities	**2,936,616**	**2,942,685**
Stockholders' equity:		
Common stock, $0.01 par value, 200,000,000 shares authorized, issued and outstanding 89,498,336 shares at March 31, 2009 and 88,995,572 shares at December 31, 2008	895	890
Additional paid-in capital	735,865	735,719
Retained deficit	(600,624)	(578,319)
Accumulated other comprehensive loss	(133,148)	(134,504)
Total stockholders' equity	2,988	23,786
Total liabilities and stockholders' equity	**$3,303,646**	**$3,334,493**

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

Three months ended March 31, 2009 and 2008

(Unaudited)

(in thousands, except per share data)

	Three months ended March 31,	
	2009 Restated	2008
Revenues	**$299,298**	**$282,414**
Operating expenses:		
Cost of services and sales, excluding depreciation and amortization	145,263	135,837
Selling, general and administrative expense, excluding depreciation and amortization	92,412	63,116
Depreciation and amortization	67,867	53,925
Total operating expenses	**305,542**	**252,878**
Income (loss) from operations	**(6,244)**	**29,536**
Other income (expense):		
Interest expense	(53,479)	(14,522)
Gain on derivative instruments	12,898	—
Gain on early retirement of debt	4,863	—
Other	6,277	986
Total other expense	(29,441)	(13,536)
Income (loss) before income taxes	(35,685)	16,000
Income tax (expense) benefit	13,380	(6,457)
Net income (loss)	**$ (22,305)**	**$ 9,543**
Weighted average shares outstanding:		
Basic	89,151	53,761
Diluted	89,151	53,761
Earnings per share:		
Basic	$ (0.25)	$ 0.18
Diluted	(0.25)	0.18

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity

Three months ended March 31, 2009

(Unaudited)

(in thousands)

	Common Stock		Additional paid-in capital	Retained deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity
	Shares	Amount				
Balance at December 31, 2008	88,996	$890	$735,719	$(578,319)	$(134,504)	$23,786
Net loss (restated)	—	—	—	(22,305)	—	(22,305)
Issuance of 2008 Interim Awards	502	5	—	—	—	5
Stock based compensation expense	—	—	146	—	—	146
Employee benefit adjustment to comprehensive income	—	—	—	—	1,356	1,356
Balance at March 31, 2009 (restated)	89,498	$895	$735,865	$(600,624)	$(133,148)	$ 2,988

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive (Loss) Income

Three months ended March 31, 2009 and 2008

(Unaudited)

(in thousands, except per share data)

	Three Months ended March 31, 2009	Three Months ended March 31, 2008
Net (loss) income (restated)	**$(22,305)**	**$9,543**
Other comprehensive income, net of taxes:		
Defined benefit pension and post-retirement plans (net of $0.9 million taxes)	1,356	—
Total other comprehensive income	**1,356**	**—**
Comprehensive (loss) income (restated)	**$(20,949)**	**$9,543**

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Three months ended March 31, 2009 and 2008

(Unaudited)

(in thousands)

	Three months ended March 31,	
	2009 Restated	2008
Cash flows from operating activities:		
Net (loss) income	$(22,305)	$ 9,543
Adjustments to reconcile net income to net cash provided by operating activities excluding impact of acquisitions:		
Deferred income taxes	(13,483)	16,021
Provision for uncollectible revenue	5,569	3,874
Depreciation and amortization	67,867	53,925
SFAS 106 post-retirement accruals	7,732	22,522
Gain on derivative instruments	(12,898)	—
Gain on early retirement of debt	(4,863)	—
Other non cash items	2,557	(27,956)
Changes in assets and liabilities arising from operations:		
Accounts receivable	(232)	(8,067)
Prepaid and other assets	2,068	(20,332)
Accounts payable and accrued liabilities	14,126	(37,870)
Other assets and liabilities, net	(176)	(11,956)
Total adjustments	68,267	(9,839)
Net cash provided by (used in) operating activities	45,962	(296)
Cash flows from investing activities:		
Acquired cash balance, net	—	11,552
Net capital additions	(57,543)	(24,604)
Net proceeds from sales of investments and other assets	110	—
Net cash used in investing activities	(57,433)	(13,052)
Cash flows from financing activities:		
Loan origination costs	(494)	(29,238)
Proceeds from issuance of long-term debt	50,000	1,635,500
Repayments of long-term debt	(5,475)	(685,441)
Contributions from Verizon	—	344,629
Restricted cash	13,300	(80,886)
Repayment of capital lease obligations	(647)	(255)
Dividends paid to stockholders	(22,996)	(1,160,000)
Net cash provided by financing activities	33,688	24,309
Net increase in cash	22,217	10,961
Cash, beginning of period	70,325	—
Cash, end of period	$ 92,542	$ 10,961
Supplemental disclosure of cash flow information:		
Non-cash equity consideration	—	316,290
Non-cash issuance of senior notes	—	551,000

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited)

(1) Restatement of Financial Statements

The Company is restating its previously issued interim consolidated financial statements included in the Original Filing to reflect the effect of an accounting error resulting from a deficiency in the transfer of certain known customer billing adjustments from the Company's billing platform to its general ledger, a one-time non-operating loss related to a disputed claim, as well as certain other adjustments. This error and these adjustments resulted in an overstatement of revenues for the three months ended March 31, 2009 of $12.3 million, an understatement of operating expenses for the three months ended March 31, 2009 of $0.1 million, and an overstatement of other income for the three months ended March 31, 2009 of $9.6 million, in each case as reported in the Original Filing. The restatement of the interim condensed consolidated financial statements contained in this Amendment No. 2, which restatement accounts for the foregoing overstatement and understatement, resulted in a reduction in net income of $13.5 million, net of income taxes, for the three months ended March 31, 2009. The revisions applied to the affected individual line items in the interim condensed consolidated financial statements are summarized as follows:

Condensed Consolidated Balance Sheets
(in thousands, except share data)

	March 31, 2009	
	As previously reported	As restated
Assets		
Accounts receivable, net	192,403	170,434
Total current assets	385,978	364,009
Property, plant, and equipment, net	2,014,700	2,014,583
Total assets	3,325,732	3,303,646
Liabilities and Stockholders' Equity		
Deferred income taxes	128,862	120,304
Total long-term liabilities	2,945,174	2,936,616
Retained deficit	(587,096)	(600,624)
Total stockholders' equity	16,516	2,988
Total liabilities and stockholders' equity	3,325,732	3,303,646

(1) Restatement of Financial Statements (Continued)

Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three months ended March 31, 2009	
	As previously reported	As restated
Revenues	311,630	299,298
Cost of services and sales, excluding depreciation and amortization	145,147	145,263
Total operating expenses	305,426	305,542
Income (loss) from operations	6,204	(6,244)
Other	15,915	6,277
Total other expense	(19,803)	(29,441)
Income (loss) before income taxes	(13,599)	(35,685)
Income tax (expense) benefit	4,822	13,380
Net income (loss)	(8,777)	(22,305)
Earnings per share (basic)	(0.10)	(0.25)
Earnings per share (diluted)	(0.10)	(0.25)

Consolidated Statements of Stockholders' Equity
(in thousands)

	Three months ended March 31, 2009	
	As previously reported	As restated
Net loss	(8,777)	(22,305)
Retained deficit	(587,096)	(600,624)
Total stockholders' equity	16,516	2,988

Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	Three months ended March 31, 2009	
	As previously reported	As restated
Net (loss) income	(8,777)	(22,305)
Comprehensive (loss) income	(7,421)	(20,949)

(1) Restatement of Financial Statements (Continued)

Consolidated Statements of Cash Flow
(in thousands)

	Three months ended March 31, 2009	
	As previously reported	As restated
Net loss	(8,777)	(22,305)
Deferred income taxes	(4,925)	(13,483)
Accounts receivable	(22,201)	(232)
Total adjustments	54,856	68,267
Net cash provided by operating activities	46,079	45,962
Net capital additions	(57,660)	(57,543)
Net cash used in investing activities	(57,550)	(57,433)

(2) Organization and Basis of Financial Reporting

FairPoint is a leading provider of communications services in rural and small urban communities, primarily in northern New England, offering an array of services, including local and long distance voice, data, Internet and broadband product offerings, to both residential and business customers. FairPoint is the seventh largest telephone company in the United States based on the number of access lines as of March 31, 2009. FairPoint operates in 18 states with approximately 1.7 million access line equivalents (including voice access lines and high speed data lines, which include DSL, wireless broadband, cable modem and fiber-to-the-premises) as of March 31, 2009.

On March 31, 2008, FairPoint completed the acquisition of Spinco, pursuant to which Spinco merged with and into FairPoint, with FairPoint continuing as the surviving corporation for legal purposes. Spinco was a wholly-owned subsidiary of Verizon and prior to the merger the Verizon Group transferred certain specified assets and liabilities of the local exchange businesses of Verizon New England in Maine, New Hampshire and Vermont and the customers of the related long distance and Internet service provider businesses in those states to subsidiaries of Spinco. The merger was accounted for as a "reverse acquisition" of Legacy FairPoint by Spinco under the purchase method of accounting because Verizon stockholders owned a majority of the shares of the consolidated Company following the merger and, therefore, Spinco is treated as the acquirer for accounting purposes. The financial statements reflect the transaction as if Spinco had issued consideration to FairPoint stockholders. As a result, for the three months ended March 31, 2008, the statement of operations and the financial information derived from the statement of operations in this Quarterly Report reflect the financial results of the Verizon Northern New England business only for such period.

In order to effect the merger described above, the Company issued 53,760,623 shares to Verizon stockholders for their interest in Spinco. Accordingly the number of common shares outstanding, par value, paid in capital and per share information for March 31, 2008 included herein has been retroactively restated to give effect to the merger.

(2) Organization and Basis of Financial Reporting (Continued)

Historical Verizon Northern New England business

The Verizon Northern New England business, prior to the merger, was comprised of carved-out components from each of Verizon New England, NYNEX Long Distance Company and Bell Atlantic Communications, referred to as VLD, Verizon Internet Services Inc. and GTE.Net LLC, referred to as VOL, and Verizon Select Services Inc., referred to as VSSI, collectively referred to as the Verizon Companies.

Prior to the merger, financial statements were not prepared for the Verizon Northern New England business, as it was not operated as a separate business. The Verizon Northern New England business financial statements for all periods prior to the merger have been prepared in accordance with U.S. generally accepted accounting principles using specific information where available and allocations where data was not maintained on a state-specific basis within the Verizon Northern New England business' books and records.

The Verizon Northern New England business financial statements for all periods prior to the merger include the wireline-related businesses, Internet access, long distance and customer premises equipment services provided by the Verizon Northern New England business to customers in the states of Maine, New Hampshire and Vermont. All significant intercompany transactions have been eliminated. The financial statements prior to the merger also include the assets, liabilities and expenses related to employees who supported the Verizon Northern New England business, some of whom remained employees of the Verizon Northern New England business following the acquisition of the Verizon Northern New England business by FairPoint rather than becoming employees of FairPoint.

The preparation of financial information related to Verizon New England's, VLD's, VOL's and VSSI's operations in the states of Maine, New Hampshire and Vermont, which are included in the balance sheet and statements of operations of the Verizon Northern New England business for all periods prior to the merger, was based on the following:

Verizon New England: For the balance sheet, property, plant and equipment, accumulated depreciation, intangible assets, materials and supplies and certain other assets and liabilities were determined based upon state specific records; accounts receivable were allocated based upon applicable billing system data; short-term investments, prepaid pension assets, accrued payroll related liabilities and employee benefit obligations were allocated based on employee headcount; and accounts payable were allocated based upon applicable operating expenses. The remaining assets and liabilities were primarily allocated based upon the percentage of the Verizon Northern New England business revenues, operating expenses and headcount to the total revenues, operating expenses and headcount of Verizon New England. For the statements of operations, operating revenues and operating expenses were based on state specific records.

VLD: For the balance sheet, receivables were allocated based on the applicable operating revenues and accounts payable were allocated based on applicable operating expenses. For the statements of operations, operating revenues were determined using applicable billing system data; cost of services and sales and selling, general and administrative expenses were allocated based on the percentage of the Verizon Northern New England business revenues related to the VLD component to the total VLD revenues applied to operating expenses for total VLD.

(2) Organization and Basis of Financial Reporting (Continued)

VOL: For the balance sheet, receivables were allocated based on applicable operating revenues; other current assets were determined using applicable billing system data; accounts payable were allocated based on the applicable operating expenses; and other current liabilities, which consisted of advanced billings, were allocated based on applicable operating revenues. For the statements of operations, operating revenues were determined using applicable billing system data and average access lines in service; cost of services and sales, selling, general and administrative expenses and interest expense were allocated based on the percentage of the Verizon Northern New England business revenues related to the VOL component to the total VOL revenues applied to operating expenses and interest expense for total VOL.

VSSI: For the balance sheet, receivables were allocated based on the applicable operating revenues and accounts payable were allocated based on applicable operating expenses. For the statements of operations, operating revenues were identified using applicable system data; cost of services and sales and selling, general and administrative expenses were allocated based on the percentage of the Verizon Northern New England business revenues related to the VSSI component to the total VSSI revenues applied to operating expenses for total VSSI.

Management believes the allocations used to determine selected amounts in the financial statements are appropriate methods to reasonably reflect the related assets, liabilities, revenues and expenses of the Verizon Northern New England business for periods prior to the merger.

(3) Accounting Policies

(a) Use of Estimates

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Examples of significant estimates include the allowance for doubtful accounts, the recoverability of plant, property and equipment, pension and post-retirement benefit assumptions, purchase price allocation for the acquisition of Legacy FairPoint and income taxes. In addition, estimates were made to determine the allocations used in preparing the historical combined financial statements as described above.

(b) Revenue Recognition

Revenues are recognized as services are rendered and are primarily derived from the usage of the Company's networks and facilities or under revenue-sharing arrangements with other communications carriers. Revenues are primarily derived from: access, pooling, local calling services, Universal Service Fund receipts, long distance services, Internet and broadband services, and other miscellaneous services. Local access charges are billed to local end users under tariffs approved by each state's public utilities commission. Access revenues are derived for the intrastate jurisdiction by billing access charges to interexchange carriers and to other local exchange carriers. These charges are billed based on toll or access tariffs approved by the local state's public utilities commission. Access charges for the interstate jurisdiction are billed in accordance with tariffs filed by the National Exchange Carrier Association or by the individual company and approved by the Federal Communications Commission (the "FCC").

(3) Accounting Policies (Continued)

Revenues are determined on a bill-and-keep basis or a pooling basis. If on a bill-and-keep basis, the Company bills the charges to either the access provider or the end user and keeps the revenue. If the Company participates in a pooling environment (interstate or intrastate), the toll or access billed is contributed to a revenue pool. The revenue is then distributed to individual companies based on their company-specific revenue requirement. This distribution is based on individual state public utilities commissions' rates for intrastate revenues or the FCC's approved separation rules and rates of return for interstate revenues. Distribution from these pools can change relative to changes made to expenses, plant investment, or rate of return. Some companies participate in federal and certain state universal service programs that are pooling in nature but are regulated by rules separate from those described above. These rules vary by state. Revenues earned through the various pooling arrangements are initially recorded based on the Company's estimates.

Long distance retail and wholesale services are usage sensitive and are billed in arrears and recognized when earned. Internet and data services revenues are substantially all recurring revenues and are billed one month in advance and deferred until earned. The majority of the Company's miscellaneous revenue is provided from billing and collection and directory services. The Company earns revenue from billing and collecting charges for toll calls on behalf of interexchange carriers. The interexchange carrier pays a certain rate per each minute billed by the Company. The Company recognizes revenue from billing and collection services when the services are provided.

Internet and broadband services and certain other services are recognized in the month the service is provided.

Non-recurring customer activation fees, along with the related costs up to, but not exceeding the activation fees, are deferred and amortized over the customer relationship period.

(c) Maintenance and Repairs

The cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, is charged primarily to cost of services and sales as these costs are incurred.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(e) Restricted Cash

As of March 31, 2008, the closing date of the merger, the Company had $80.9 million of restricted cash. The Company is required to use these funds to (i) pay for the removal of double poles in Vermont, which is estimated to cost $6.7 million, (ii) pay for certain service quality improvements under a performance enhancement plan in Vermont totaling $25.0 million, and (iii) pay for network improvements in New Hampshire totaling $49.2 million. As of March 31, 2009, the Company has released $27.3 million of the restricted cash for approved expenditures under the required projects. The Company forfeited an additional $0.5 million to the Vermont Public Service Board due to an inability to spend the full $12.5 million allocated for such projects in the 2008 calendar year. These expenditures have been partially offset by an increase of $1.4 million in restricted cash through March 31, 2009, due to interest earned on deposits. In addition, during the third quarter of 2008, the Company established another escrow account related to pending litigation totaling $0.8 million at March 31, 2009. As of

(3) Accounting Policies (Continued)

March 31, 2009, the Company had $55.2 million of restricted cash of which $4.4 million is shown in current assets and $50.8 million is shown as a non-current asset on the Condensed Consolidated Balance Sheet.

(f) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. Receivable balances are reviewed on an aged basis and account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(g) Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The Company places its cash with high-quality financial institutions. Concentrations of credit risk with respect to trade receivables are principally related to receivables from other interexchange carriers and are otherwise limited to the Company's large number of customers in several states.

The Company sponsors pension and post-retirement healthcare plans for certain employees. Plan assets are held by a third party trustee. The Company's plans hold debt and equity securities for investment purposes. The value of these plan assets is dependent on the financial condition of those entities issuing the debt and equity securities. A significant decline in the fair value of plan assets could result in additional contributions to the plans by the Company in order to meet funding requirements under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

As a result of interest rate swap agreements, as of March 31, 2009, approximately 76% of the Company's indebtedness effectively bore interest at fixed rates rather than variable rates. The Company's ability to hedge its interest rate risk is dependent on the solvency of those banks with whom the Company enters into swap agreements.

(h) Materials and Supplies

Materials and supplies include new and reusable supplies and network equipment, which are stated principally at average original cost, except that specific costs are used in the case of large individual items.

(i) Property, Plant, and Equipment

Property, plant and equipment is recorded at cost. Depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, property and equipment less anticipated positive net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

At March 31, 2009 and December 31, 2008, accumulated depreciation for property, plant and equipment was $4.0 billion and $4.0 billion, respectively.

(3) Accounting Policies (Continued)

The estimated asset lives used are presented in the following table:

Average Lives	Years
Buildings	45
Central office equipment	5–11
Outside communications plant	
Copper cable	15–18
Fiber cable	25
Poles and conduit	30–50
Furniture, vehicles and other	3–15

The Company believes that current estimated useful asset lives are reasonable. Such useful lives are subject to regular review and analysis. In the evaluation of asset lives, multiple factors are considered, including, but not limited to, the ongoing network deployment, technology upgrades and enhancements, planned retirements and the adequacy of reserves.

When depreciable telephone plant used in the Company's wireline network is replaced or retired, the carrying amount of such plant is deducted from the respective accounts and charged to accumulated depreciation. No gain or loss is recognized on disposition of assets.

Network software purchased or developed in connection with related plant assets is capitalized. The Company also capitalizes interest associated with the acquisition or construction of network related assets. Capitalized interest is reported as part of the cost of the network related assets and as a reduction in interest expense.

(j) Long-Lived Assets

Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"). Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, by which the carrying value of the asset exceeds its fair value.

(k) Computer Software and Interest Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal use software which has a useful life in excess of one year in accordance with American Institute of Certified Public Accountants Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1"). Capitalized costs include direct development costs associated with internal use software, including direct labor costs and external costs of materials and services.

Subsequent additions, modifications or upgrades to internal use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred.

(3) Accounting Policies (Continued)

In addition, the Company capitalizes the interest cost associated with the period of time over which the Company's internal use software is developed or obtained in accordance with Financial Accounting Standard No. 34, *Capitalization of Interest Cost* ("FAS 34").

On January 15, 2007, FairPoint entered into the Master Services Agreement, or MSA, with Capgemini U.S. LLC. Through the MSA, the Company replicated and/or replaced certain existing Verizon systems during a phased period through January 2009. As of March 31, 2009, the Company had completed the application development stage of the project and was no longer recognizing costs in accordance with SOP 98-1. The Company has recognized both external and internal service costs associated with the MSA based on total labor incurred through the completion of the application development stage. As of March 31, 2009, the Company had capitalized $98.6 million of costs under SOP 98-1 and an additional $6.9 million of interest costs under FAS 34. The application development stage of the project was completed on January 30, 2009.

In addition to the MSA, the Company has other agreements and projects for which costs are capitalized in accordance with SOP 98-1.

(l) Debt Issue Costs

On March 31, 2008, immediately prior to the merger, Legacy FairPoint and Spinco entered into a $2,030.0 million senior secured credit facility (the "credit facility"), consisting of a non-amortizing revolving facility in an aggregate principal amount of $200.0 million (the "revolver"), a senior secured term loan A facility in an aggregate principal amount of $500.0 million (the "term loan A facility"), a senior secured term loan B facility in the aggregate principal amount of $1,130.0 million (the "term loan B facility, and together with the term loan A facility, the "term loan"), and a delayed draw term loan facility in an aggregate principal amount of $200.0 million (the "delayed draw term loan"). The Company incurred $29.2 million of debt issue costs associated with the credit facility and began to amortize these costs over the life of the related debt, ranging from 6 to 7 years using the effective interest method.

On January 21, 2009, the Company entered into an amendment to the credit facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn loan commitments under the revolving credit facility, totaling $30.0 million, were terminated and are no longer available to the Company. The Company incurred $0.5 million of debt issue costs associated with this amendment and began to amortize these costs over the remaining life of the loan.

Concurrent with the amendment, the Company wrote off $0.8 million of the unamortized debt issue costs associated with the original credit facility, in accordance with EITF 98-14, *Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements.*

As of March 31, 2009, the Company had capitalized debt issue and offering costs of $24.7 million, net of amortization.

(m) Advertising Costs

Advertising costs are expensed as they are incurred.

(3) Accounting Policies (Continued)

(n) Goodwill and Other Intangible Assets

Goodwill consists of the difference between the purchase price incurred in the acquisition of Legacy FairPoint using the purchase method of accounting and the fair value of net assets acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets,* goodwill is no longer amortized, but instead is assessed for impairment at least annually. During this assessment, management relies on a number of factors, including operating results, business plans, and anticipated future cash flows.

The Company performed its annual goodwill impairment assessment as of October 1, 2008 and concluded that there was no indication of impairment at this time. In light of the weakening economic environment, the Company performed another assessment as of December 31, 2008 and concluded that there was no indication of impairment at this time.

As of March 31, 2009, the Company had goodwill of $595.1 million.

The Company's intangible assets consist of customer lists, non-compete agreements and trade names as follows (in thousands):

	At March 31, 2009
Customer lists (weighted average 9.7 years):	
Gross carrying amount	$208,504
Less accumulated amortization	(22,572)
Net customer lists	185,932
Non-Compete agreement (weighted average 1 year):	
Gross carrying amount	358
Less accumulated amortization	(358)
Net non-compete agreement	—
Trade names (indefinite life):	
Gross carrying amount	42,816
Total intangible assets, net	$228,748

The estimated weighted average useful lives of the intangible assets are 9.7 years for the customer relationships, one year for the non-compete agreement and an indefinite useful life for trade names. Amortization expense was $5.7 million for the three months ended March 31, 2009 and is expected to be approximately $22.6 million per year.

(o) Accounting for Income Taxes

The Company accounts for income taxes for interim periods in accordance with SFAS No. 109 *"Accounting for Income Taxes"* ("SFAS 109") and FASB Interpretation ("FIN") No. 18 *"Accounting for Income Taxes in Interim Periods"* ("FIN 18"). FIN 18 requires the tax (or benefit) related to ordinary income (or loss) to be computed at an estimated annual effective tax rate and the tax (or benefit) related to all other items to be individually computed and recognized when the items occur unless a reliable estimated annual effective tax rate cannot be calculated.

(3) Accounting Policies (Continued)

This process involves estimating the actual current tax exposure and assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's condensed consolidated balance sheets. The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes the recovery is not likely, it must establish a valuation allowance. Further, to the extent that the Company establishes a valuation allowance or increases this allowance in a financial accounting period, the Company must include a tax provision, or reduce its tax benefit in the condensed consolidated statement of operations. In performing the assessment, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. The Company uses its judgment to determine its provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets.

(p) Stock-based Compensation Plans

The Company accounts for its stock-based compensation plans in accordance with SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)), which establishes accounting for stock-based awards granted in exchange for employee services. Accordingly, for employee awards which are expected to vest, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense on a straight-line basis over the requisite service period, which generally begins on the date the award is granted through the date the award vests. The Company elected to adopt the provisions of SFAS No. 123(R) using the prospective application method for awards granted prior to becoming a public company and valued using the minimum value method, and using the modified prospective application method for awards granted subsequent to becoming a public company.

On March 3, 2009, the Company's compensation committee approved the award of performance units under the FairPoint Communications, Inc. 2008 Long Term Incentive Plan for the performance period beginning January 1, 2009 and ending December 31, 2011 to certain key employees. As of March 31, 2009, no shares of common stock had been issued pursuant to these grants.

(q) Employee Benefit Plans

The Company accounts for pensions and other post-retirement benefit plans in accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS No. 158). SFAS No. 158 requires the recognition of a defined benefit post-retirement plan's funded status as either an asset or liability on the balance sheet. SFAS No. 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of other accumulated comprehensive income, net of applicable income taxes. Additionally, a company must determine the fair value of plan assets as of the company's year end.

(r) Business Segments

Management views its business of providing video, data and voice communication services to residential and business customers as one business segment as defined in SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information.* The Company consists of retail and wholesale telecommunications services, including local telephone, high speed Internet, long distance and other

(3) Accounting Policies (Continued)

services in 18 states. The Company's chief operating decision maker assesses operating performance and allocates resources based on the consolidated results.

(s) Purchase Accounting

The Company recognizes the acquisition of companies in accordance with SFAS No. 141, *Accounting for Business Combinations* ("SFAS 141"). The cost of an acquisition is allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the acquisition, with amounts exceeding the fair value being recorded as goodwill.

(4) Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*, or SFAS 141(R), which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. The Company will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). SFAS 161 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of SFAS 161 did not have any impact on the Company's consolidated results of operations and financial position.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles, ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). SFAS 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The adoption of SFAS 162 is not expected to have any impact on the Company's consolidated results of operations and financial position.

(5) Dividends

On December 5, 2008, the Company declared a dividend of $0.2575 per share of common stock, which was paid on January 16, 2009 to holders of record as of December 31, 2008.

On March 4, 2009, the Company's board of directors voted to suspend the quarterly dividend on the Company's common stock.

(6) Acquisitions and Dispositions

On March 31, 2008, the Company completed the merger with Spinco. The merger was accounted for as a reverse acquisition of FairPoint by Spinco under the purchase method of accounting because Verizon's stockholders owned a majority of the shares of the combined Company following the merger. The merger consideration was $316.3 million. Spinco was a wholly-owned subsidiary of Verizon that owned Verizon's local exchange and related business activities in Maine, New Hampshire and Vermont. Spinco was spun off from Verizon immediately prior to the merger. Spinco served approximately 1,562,000 access line equivalents as of the date of acquisition.

Prior to the merger, the Verizon Group engaged in a series of restructuring transactions to effect the transfer of specified assets and liabilities of the local exchange business of Verizon New England in Maine, New Hampshire and Vermont and the customers of the Verizon Group's related long distance and Internet service provider businesses in those states to Spinco and the entities (including an entity formed for holding Vermont property) that became Spinco's subsidiaries. In connection with these restructuring transactions, and immediately prior to closing of the merger on March 31, 2008, the Verizon Group contributed certain of those assets and all of the direct and indirect equity interests of those entities to Spinco in exchange for:

- the issuance of additional shares of Spinco common stock that were distributed in a spin-off, referred to as the distribution;
- a special cash payment of $1,160.0 million to the Verizon Group; and
- the issuance by Spinco to the Verizon Group of the senior notes with an aggregate principal value of $551.0 million, issued at a discount of $11.2 million (the "notes").

As a result of these transactions, the Verizon Group received $1.7 billion of combined cash and principal amount of notes.

The Verizon Group also contributed approximately $316.0 million in cash to Spinco at the time of the spin-off, in addition to the amount of working capital, subject to adjustment, that it was required to contribute pursuant to the distribution agreement that was in effect prior to the merger. During the third quarter of 2008, the Company settled the working capital adjustment with Verizon, resulting in an additional contribution to the Company of approximately $29.0 million from Verizon. In connection with this working capital settlement, the Company paid Verizon $66.3 million for certain payables (offset by any receivables) owed to Verizon affiliates.

After the contribution and immediately prior to the merger, Verizon spun off Spinco by distributing all of the shares of Spinco common stock to a third-party distribution agent to be held collectively for the benefit of Verizon stockholders. We refer collectively to the transactions described above as the spin-off.

(6) Acquisitions and Dispositions (Continued)

The merger was accounted for using the purchase method of accounting for business combinations and, accordingly, the acquired assets and liabilities of Legacy FairPoint were recorded at their estimated fair values as of the date of acquisition, and Legacy FairPoint's results of operations have been included in the Company's consolidated financial statements from the date of acquisition. During the first quarter of 2009, the Company recorded an adjustment to its deferred tax account which decreased the excess of the purchase price over fair value by $24.3 million. Based upon the Company's purchase price allocation, the excess of the purchase price over the fair value of the net tangible assets acquired was approximately $846.8 million. The Company recorded an intangible asset related to the acquired customer relationships of $208.5 million, an intangible asset related to trade names of $42.8 million and an intangible asset related to a non-compete agreement of $0.4 million. The remaining $595.1 million was recognized as goodwill. The estimated weighted average useful lives of the intangible assets are 9.7 years for the customer relationships, one year for the non-compete agreement and trade names have an indefinite useful life.

The allocation of the total net purchase price of the merger is shown in the table below (in thousands):

Cash	$ 11,401
Current assets	57,178
Property, plant and equipment	303,261
Investments	8,748
Excess cost over fair value of net assets acquired	595,120
Intangible assets	251,678
Other assets	127,034
Current liabilities	(179,146)
Long-term debt	(687,491)
Other liabilities	(171,493)
Total net purchase price	$ 316,290

The following unaudited pro forma information presents the combined results of operations of the Company as though the merger and related transactions had been consummated on January 1, 2008. These results include certain adjustments, mainly associated with increased interest expense on debt and amortization of intangible assets related to the acquisitions and the related income tax effects. The pro forma financial information does not necessarily reflect the actual results of operations had the

(6) Acquisitions and Dispositions (Continued)

merger been consummated at the beginning of the period or which may be attained in the future (in thousands, except per share data).

	Pro forma three months ended March 31, 2008
	(unaudited)
Revenue	$349,418
Loss from continuing operations	(9,514)
Net loss	(9,514)
Earnings per common share from continuing operations:	
Basic	$ (0.11)
Diluted	(0.11)
Earnings per common share:	
Basic	$ (0.11)
Diluted	(0.11)

(7) Income Taxes

For the three months ended March 31, 2009, the Company recorded income tax benefit of $13.4 million resulting in an effective tax rate of 37.5% compared to Spinco's effective tax rate of 40.4% for the three months ended March 31, 2008. The reduction in rate resulted primarily from additional tax expense resulting from the vesting of certain restricted stock awards during the three month period ended March 31, 2009.

The Company adopted FIN 48 *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* ("FIN 48") on January 1, 2007. FIN 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The unrecognized tax benefits under FIN 48 are similar to the income tax reserves reflected prior to adoption under SFAS No. 5, *Accounting for Contingencies,* whereby reserves were established for probable loss contingencies that could be reasonably estimated. The adoption of FIN 48 did not have a material impact on the Company's financial position or results of operations.

FIN 48 requires the Company to apply a "more likely than not" threshold to the recognition and de-recognition of uncertain tax positions. The Company's unrecognized tax benefits totaled $8.6 million as of March 31, 2009 and December 31, 2008. Of the $8.6 million of unrecognized tax benefits at March 31, 2009, $1.0 million would impact the Company's effective rate, if recognized. The remaining unrecognized tax benefits relate to temporary items and tax reserves recorded in a business combination. Furthermore, the Company does not anticipate any significant increase or decrease to the unrecognized tax benefits within the next twelve months.

The Company recognizes any interest and penalties accrued related to unrecognized tax benefits in income tax expense. For the three months ended March 31, 2009, there was a $0.1 million increase in interest and penalties. As of March 31, 2009, cumulative interest and penalties totaled $1.3 million, net of tax.

(7) Income Taxes (Continued)

At March 31, 2009, the Company had federal and state net operating loss carryforwards of $379.2 million that will expire from 2019 to 2028. At March 31, 2009, the Company has alternative minimum tax credits of $3.8 million that may be carried forward indefinitely. Legacy FairPoint completed an initial public offering on February 4, 2005, which resulted in an "ownership change" within the meaning of the U.S. Federal income tax laws addressing net operating loss carryforwards, alternative minimum tax credits, and other similar tax attributes. The merger (see Note 6) also resulted in an ownership change as of March 31, 2008. As a result of these ownership changes, there are specific limitations on the Company's ability to use its net operating loss carryfowards and other tax attributes. It is the Company's belief that it can use the net operating losses even with these restrictions in place.

The Company or one of its subsidiaries files income tax returns in the federal jurisdiction, and with various state and local governments. The Company is no longer subject to federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2004. As of March 31, 2009, Spinco was under IRS audit for the 2004 through 2006 fiscal years. Management believes that the Company has adequately provided for any adjustments that may arise from these audits.

The Verizon Northern New England business used the deferral method of accounting for investment tax credits earned prior to the repeal of investment tax credits by the Tax Reform Act of 1986. The Verizon Northern New England business also deferred certain transitional credits earned after the repeal and amortized these credits over the estimated service lives of the related assets as a reduction to the provision for income taxes.

(8) Interest Rate Swap Agreements

The Company assesses interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company maintains risk management control systems to monitor interest rate cash flow risk attributable to both the Company's outstanding and forecasted debt obligations. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on the Company's future cash flows.

The Company uses variable and fixed-rate debt to finance its operations, capital expenditures and acquisitions. The variable-rate debt obligations expose the Company to variability in interest payments due to changes in interest rates. The Company believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, from time to time, the Company enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively change the variable rate on the debt obligations to a fixed rate. Under the terms of the interest rate swaps, the Company makes a payment if the variable rate is below the fixed rate, or it receives a payment if the variable rate is above the fixed rate.

(8) Interest Rate Swap Agreements (Continued)

The chart below provides details of each of the Company's interest rate swap agreements.

Effective Date:	Notional Amount	Rate	Rate, including applicable margin	Expiration Date
February 8, 2005	$130.0 Million	4.11%	6.86%	December 31, 2009
April 29, 2005	$50.0 Million	4.72%	7.47%	March 31, 2012
June 30, 2005	$50.0 Million	4.69%	7.44%	March 31, 2011
June 30, 2006	$50.0 Million	5.36%	8.11%	December 31, 2009
December 31, 2007	$65.0 Million	4.91%	7.66%	December 30, 2011
December 31, 2007	$75.0 Million	5.46%	8.21%	December 31, 2010
December 31, 2008	$100.0 Million	5.02%	7.77%	December 31, 2010
December 31, 2009	$150.0 Million	5.65%	8.40%	December 31, 2011
June 30, 2008	$100.0 Million	4.99%	7.74%	December 30, 2010
June 30, 2008	$100.0 Million	4.95%	7.70%	June 30, 2010
June 30, 2008	$100.0 Million	5.45%	8.20%	December 31, 2010
June 30, 2008	$100.0 Million	5.30%	8.05%	December 30, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
December 31, 2010	$300.0 Million	4.49%	7.24%	December 31, 2012
June 30, 2008	$250.0 Million	3.25%	6.00%	December 31, 2010

As a result of the merger, the Company reassessed the accounting treatment of its swaps and determined that, beginning on April 1, 2008, these swaps did not meet the criteria for hedge accounting. Therefore, the changes in fair value of the swap contracts subsequent to the merger have been recorded as other income (expense) on the condensed consolidated statement of operations. As a result of these swap agreements, approximately 76% of the Company's indebtedness effectively bore interest at fixed rates rather than variable rates as of March 31, 2009. At March 31, 2009, the fair market value of these swaps was a net liability of approximately $70.1 million, of which $39.9 million has been included in current liabilities and $30.2 million has been included in long-term liabilities. The Company has recognized a $12.9 million gain on derivative instruments on the consolidated statement of operations as a result of changes in the fair value of the swap agreements during the three months ended March 31, 2009.

(8) Interest Rate Swap Agreements (Continued)

The following table summarizes the location and fair value of the Company's derivative instruments in the condensed consolidated balance sheets as of March 31, 2009 and December 31, 2008 (in thousands):

	Fair Value of Liability Derivatives at	
	March 31, 2009	December 31, 2008
Derivatives not designated as hedging instruments under SFAS 133:		
Interest rate contracts located within the balance sheet caption:		
Current liabilities—Interest rate swaps	$39,860	$41,274
Long-term liabilities—Interest rate swaps	30,197	41,681
Total derivatives not designated as hedging instruments under SFAS 133	$70,057	$82,955

The following table summarizes the location and amount of gains on the Company's derivative instruments in the condensed consolidated statements of operations for the three-month periods ended March 31, 2009 and 2008 (in thousands):

	Location of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives Three months ended March 31,	
		2009	2008
Derivatives not designated as hedging instruments under SFAS 133			
Interest rate contracts	Gain on derivative instruments	$12,898	$—
Total derivatives not designated as hedging instruments under SFAS 133		$12,898	$—

(9) Long Term Debt

Long term debt for the Company at March 31, 2009 and December 31, 2008 is shown below (in thousands):

	March 31, 2009	December 31, 2008
Senior secured credit facility, variable rates ranging from 3.06% to 5.75% (weighted average rate of 4.89%) at March 31, 2009, due 2014 to 2015	$1,976,700	$1,930,000
Senior notes, 13.125%, due 2018	543,050	551,000
Discount on senior notes, 13.125%, due 2018	(10,444)	(10,747)
Total outstanding long-term debt	2,509,306	2,470,253
Less current portion	(45,000)	(45,000)
Total long-term debt, net of current portion	$2,464,306	$2,425,253

The estimated fair value of the Company's long term debt at March 31, 2009 is $1,046.9 million based on market prices of the Company's debt securities at the balance sheet date.

The approximate aggregate maturities of long-term debt for each of the five years subsequent to March 31, 2009 are as follows (in thousands):

Quarter ending March 31,	
2010	$ 45,000
2011	45,000
2012	63,300
2013	63,300
2014	349,900
Thereafter	1,953,250
	$2,519,750

Prior to March 31, 2008, debt held by the Verizon Northern New England business was recorded at the Verizon consolidated level and interest expense was allocated to the Verizon Northern New England business.

On March 31, 2008, immediately prior to the merger, FairPoint and Spinco entered into a $2,030 million credit facility consisting of a revolver in an aggregate principal amount of $200.0 million, a term loan A facility in an aggregate principal amount of $500 million, a term loan B facility in the aggregate principal amount of $1,130 million and together with the term loan A facility, referred to as the term loan, and a delayed draw term loan in an aggregate principal amount of $200 million. Spinco drew $1,160 million under the term loan immediately prior to the spin-off, and then the Company drew $470 million under the term loan and $5.5 million under the delayed draw term loan concurrently with the closing of the merger. Subsequent to the merger, the Company has drawn an additional $194.5 million under the delayed draw term loan.

On October 5, 2008 the administrative agent under the credit facility filed for bankruptcy. The administrative agent accounted for thirty percent of the loan commitments under the revolving credit

(9) Long Term Debt (Continued)

facility. On January 21, 2009, the Company entered into an amendment to the credit facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn loan commitments under the revolving credit facility, totaling $30.0 million, were terminated and are no longer available to the Company.

As of March 31, 2009, the Company had borrowed $150.0 million under the revolving credit facility. Accordingly, as of March 31, 2009 the remaining amount available under the revolving credit facility was $4.7 million, net of outstanding letters of credit. As of March 31, 2009, the Company also had pending commitments for additional letters of credit totaling $3.7 million.

The revolving credit facility has a swingline subfacility in the amount of $10 million and a letter of credit subfacility in the amount of $30 million, which will allow issuances of standby letters of credit by the Company. The credit facility also permits interest rate and currency exchange swaps and similar arrangements that the Company may enter into with the lenders under the credit facility and/or their affiliates. As of March 31, 2009, letters of credit had been issued for $15.3 million.

The term loan B facility and the delayed draw term loan will mature in March 2015 and the revolving credit facility and the term loan A facility will mature in March 2014. Each of the term loan A facility, the term loan B facility and the delayed draw term loan, collectively referred to as the term loans, are repayable in quarterly installments in the manner set forth in the credit facility beginning June 30, 2009.

Interest rates for borrowings under the credit facility will be, at the Company's option, for the revolver and for the term loans at either (a) the Eurodollar rate, as defined in the credit agreement, plus an applicable margin or (b) the base rate, as defined in the credit agreement, plus an applicable margin.

The Company's Term Loan B debt is subject to a LIBOR floor of 3.00%. As a result, the Company incurs interest expense at above-market levels when LIBOR rates are below 3.00%.

The Company's effective interest rate, which includes the impact of interest rate swaps, as of March 31, 2009 is 8.54%.

The credit facility provides for payment to the lenders of a commitment fee on the average daily unused portion of the revolver commitments, payable quarterly in arrears on the last business day of each calendar quarter and on the date upon which the commitment is terminated. The credit facility also provides for payment to the lenders of a commitment fee from the closing date of the credit facility up through and including the twelve month anniversary thereof on the unused portion of the delayed draw term loan, payable quarterly in arrears, and on the date upon which the delayed draw term loan is terminated, as well as other fees.

The credit facility requires the Company first to prepay outstanding term loan A loans in full, including any applicable fees, interest and expenses and, to the extent that no term loan A loans remain outstanding, term loan B loans, including any applicable fees, interest and expenses, with, subject to certain conditions and exceptions, 100% of the net cash proceeds the Company receives from any sale, transfer or other disposition of any assets, subject to certain reinvestment rights, 100% of net casualty insurance proceeds, subject to certain reinvestment rights and 100% of the net cash proceeds the Company receives from the issuance of debt obligations and preferred stock. In addition, the

(9) Long Term Debt (Continued)

Company's credit facility requires it to prepay outstanding term loans on the date the Company delivers a compliance certificate pursuant to the credit agreement beginning with the fiscal quarter ended June 30, 2009 demonstrating that the Company's leverage ratio for the preceding quarter is greater than 3.50 to 1.00, with an amount equal to the greater of (i) $11,250,000 or (ii) 90% of the Company's excess cash flow calculated after its permitted dividend payment and less its amortization payments made on the term loans pursuant to the Company's credit agreement. Notwithstanding the foregoing, the Company may designate the type of loans which are to be prepaid and the specific borrowings under the affected facility pursuant to which any amounts mandatorily prepaid will be applied in forward order of maturity of the remaining amortization payments.

Voluntary prepayments of borrowings under the term loan facilities and optional reductions of the unutilized portion of the revolving facility commitments will be permitted upon payment of an applicable payment fee, which shall only be applicable to certain prepayments of borrowings as described in the credit facility.

Under the credit facility, the Company is required to meet certain financial tests, including a minimum cash interest coverage ratio and a maximum total leverage ratio. The credit facility contains customary affirmative covenants. The credit facility also contains negative covenants and restrictions, including, among others, with respect to redeeming and repurchasing the Company's other indebtedness, loans and investments, additional indebtedness, liens, capital expenditures, changes in the nature of our business, mergers, acquisitions, asset sales and transactions with affiliates. The credit facility contains customary events of default, including, but not limited to, failure to pay principal, interest or other amounts when due (subject to customary grace periods), breach of covenants or representations, cross-defaults to certain other indebtedness in excess of specified amounts, judgment defaults in excess of specified amounts, certain ERISA defaults, the failure of any guaranty or security document supporting the credit facility and certain events of bankruptcy and insolvency.

As of March 31, 2009, the Company was in compliance with all of the financial covenants contained in the credit facility. However, the continuing adverse general economic conditions, the operational difficulties experienced following the cutover to the Company's new platform of systems for the Northern New England operations, the additional incremental costs incurred to operate the business following the cutover and the resulting inability to fully execute on its 2009 operating plan and compete effectively in the marketplace are causing the Company to be at risk of failing to comply with the interest coverage covenant contained in the credit facility as early as the covenant measurement period ending June 30, 2009. If a default occurs, the lenders would be permitted to accelerate the maturity of the loans outstanding under the credit facility, to seek to foreclose upon any collateral securing such loans and to terminate any commitments of the lenders to lend to the Company. In the event of noncompliance, the Company would seek to obtain a waiver from its lenders or seek to amend the covenants. There can be no assurance that such a waiver or amendment could be obtained at all or on terms, including any costs or fees associated therewith, reasonably acceptable to the Company in light of the Company's current liquidity position and expected future cash flows.

The credit agreement also contains restrictions on the Company's ability to pay dividends on or repurchase its common stock.

(9) Long Term Debt (Continued)

The credit facility is guaranteed, jointly and severally, by all existing and subsequently acquired or organized wholly owned first-tier domestic subsidiaries of the Company that are holding companies. No guarantee is required of a subsidiary that is an operating company. Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Enhanced Communications of Northern New England Inc. are regulated operating subsidiaries and, accordingly, are not guarantors under the credit facility.

The credit facility is secured by a first priority perfected security interest in all of the stock, equity interests, promissory notes, partnership interests and membership interests owned by the Company.

On March 31, 2008, Spinco issued $551.0 million aggregate principal amount of the notes. The notes mature on April 1, 2018 and are not redeemable at the Company's option prior to April 1, 2013. Interest is payable on the notes semi-annually in cash on April 1 and October 1 of each year. The notes bear interest at a fixed rate of 13⅛% and principal is due at maturity. The notes were issued at a discount and, accordingly, at the date of their distribution, the notes had a carrying value of $539.8 million (principal amount at maturity of $551.0 million less discount of $11.2 million).

The indenture governing the notes limits, among other things, the Company's ability to incur additional indebtedness, issue certain preferred stock, repurchase its capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restriction on the ability of the Company's subsidiaries to make distributions or transfer assets to the Company and enter into transactions with affiliates.

The indenture governing the notes also restricts the Company's ability to pay dividends on or repurchase its common stock under certain circumstances.

During the three months ended March 31, 2009, the Company repurchased $8.0 million aggregate principal amount of the notes for an aggregate purchase price of $2.2 million in cash. In addition, the Company prepaid $3.3 million of principal under the term loan A facility of its credit facility. In total, the Company retired $11.3 million of outstanding debt during the three months ended March 31, 2009.

(10) Employee Benefit Plans

The Company remeasured its pension and other post-employment benefit assets and liabilities as of December 31, 2008, in accordance with SFAS No. 158. This measurement is based on a 5.99% discount rate, as well as certain other valuation assumption modifications.

Prior to the merger, the Verizon Northern New England business participated in Verizon's benefit plans. Verizon maintained noncontributory defined benefit pension plans for many of its employees. The post-retirement health care and life insurance plans for the Verizon Northern New England business' retirees and their dependents were both contributory and noncontributory and included a limit on the Companies' share of cost for recent and future retirees. The Verizon Northern New England business also sponsored defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis. A measurement date of December 31 was used for the pension and post-retirement health care and life insurance plans.

The structure of Verizon's benefit plans did not provide for the separate attribution of the related pension and post-retirement assets and obligations at the Verizon Northern New England business

(10) Employee Benefit Plans (Continued)

level. Because there was not a separate plan for the Verizon Northern New England business, the annual income and expense related to such assets and obligations were allocated to the Verizon Northern New England business and are reflected as prepaid pension assets and employee benefit obligations in the balance sheet prior to the merger.

After June 30, 2006, Verizon management employees, including management employees of the Verizon Northern New England business, ceased to earn pension benefits or earn service towards the company retiree medical subsidy. In addition, new management employees hired after December 31, 2005 were not eligible for pension benefits and managers with less than 13.5 years of service as of June 30, 2006 were not eligible for company-subsidized retiree healthcare or retiree life insurance benefits. Beginning July 1, 2006, Verizon Northern New England business management employees received an increased company match on their savings plan contributions.

Components of the net periodic benefit (income) cost related to the Company's pension and post-retirement healthcare plans for the three months ended March 31, 2009 are presented below.

In Millions	Qualified Pension	Post-retirement Health
Service cost	$ 2,736	$3,176
Interest cost	3,280	3,284
Expected return on plan assets	(5,179)	—
Amortization of prior service cost	363	1,073
Amortization of actuarial (gain) loss	156	664
Net periodic benefit cost	$ 1,356	$8,197

In 2009, the Company does not expect to make a contribution to the qualified pension plans, but it does expect to incur $0.6 million in post-retirement healthcare plan expenditures.

For the three months ended March 31, 2009, the actual loss on the pension plan assets has been approximately 12.2%. Net periodic benefit cost for 2009 assumes a weighted average annualized expected return on plan assets of approximately 8.3%. Should our actual return on plan assets continue to be significantly lower than our expected return assumption, our net periodic benefit cost may increase in future periods and we may be required to contribute additional funds to our pension plans after 2009.

Pension plan assets at March 31, 2009 include an additional transfer of assets from Verizon, estimated to be between $38.5 and $50.0 million as of December 31, 2008, pending final actuarial settlement. For purposes of determining fair value of plan assets at March 31, 2009, the Company has assumed a final transfer of $38.5 million. The final transfer will be made from Verizon's defined benefit plans' trusts upon final validation by actuaries and the Company of the census information and related actuarial calculations in accordance with relevant statutory and regulatory guidelines and an employee matters agreement with Verizon. The assets transferred from the Verizon benefit plans' trusts to the Company's benefit plans' trusts have been invested by the plans' trustee in various equity and fixed income securities. The $38.5 million transfer included in plan assets assumes a 20.0% loss on these assets from March 31, 2008 through December 31, 2008. The final asset transfer will include investment

(10) Employee Benefit Plans (Continued)

return or loss on the final transfer amount from March 31, 2008 until the date of the final asset transfer equivalent to the rate of return in the Verizon pension trusts.

The Company and its subsidiaries sponsor four voluntary 401(k) savings plans that, in the aggregate, cover substantially all eligible Legacy FairPoint employees, and two voluntary 401(k) savings plans that cover in the aggregate substantially all eligible Northern New England operations employees (collectively, "the 401(k) Plans"). Each 401(k) Plan year, the Company contributes to the 401(k) Plans an amount of matching contributions determined by the Company at its discretion. For the three months ended March 31, 2009, the Company generally matched in the Legacy FairPoint 401(k) plans 100% of each employee's contribution up to 3% of compensation and 50% of additional contributions up to 6% or as otherwise required by the relevant collective bargaining agreement; in the Northern New England 401(k) management plan an amount equal to 100% of each employee's contribution up to 6% of base compensation, plus, depending on Company performance, an additional discretionary match of up to 50% of the next 3% of base compensation; and in the Northern New England 401(k) plan for union associates an amount equal to 82% of each employee's contribution up to 6% of base compensation. Total Company contributions to all 401(k) Plans were $2.4 million and $2.8 million for the three months ended March 31, 2009 and 2008, respectively.

Effective for the first full payroll period in April 2009, matching contributions made to the Company's 401(k) plans for certain employees may be made in the form of the Company's common stock. Generally, each participant in these plans would receive a dollar-for-dollar match of FairPoint stock up to five percent of the participant's eligible compensation. Certain participants in the Company's 401(k) plans who are covered by collective bargaining agreements will continue to have their Company matching contributions determined under the prior formula and paid in cash.

(11) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows (in thousands):

	March 31, 2009	December 31, 2008
Accumulated other comprehensive loss, net of taxes:		
Defined benefit pension and post-retirement plans	$(133,148)	$(134,504)
Total accumulated other comprehensive loss	$(133,148)	$(134,504)

Other Comprehensive Loss for the three months ended March 31, 2009 includes amortization of defined benefit pension and post-retirement plan related prior service costs and actuarial gains and losses included in Accumulated Other Comprehensive Loss. Defined benefit pension and post-retirement plan activity during the three months ended March 31, 2008 included $49.5 million (net of $32.8 million taxes) in connection with the merger, which is reflected as a reduction to Accumulated Other Comprehensive Loss. This amount represents the allocation of previously existing plan assets, obligations and prior service costs to the surviving benefit plans upon merger.

(12) Earnings Per Share

Earnings per share has been computed in accordance with SFAS No. 128, *Earnings Per Share*. Basic earnings per share is computed by dividing net income or loss by the weighted average number of shares of common stock outstanding for the period. Except when the effect would be anti-dilutive, the diluted earnings per share calculation calculated using the treasury stock method includes the impact of stock units, shares of non-vested common stock and shares that could be issued under outstanding stock options. The weighted average number of common shares outstanding for all periods presented has been restated to reflect the issuance of 53,760,623 shares to the stockholders of Spinco in connection with the merger.

The following table provides a reconciliation of the common shares used for basic earnings per share and diluted earnings per share (in thousands):

	Three months ended March 31,	
	2009	2008
Weighted average number of common shares used for basic earnings per share	89,151	53,761
Effect of potential dilutive shares	—	—
Weighted average number of common shares and potential dilutive shares used for diluted earnings per share	89,151	53,761
Anti-dilutive shares excluded from the above reconciliation	990	—

Since the Company incurred a loss for the three months ended March 31, 2009, all potentially dilutive securities are anti-dilutive and are, therefore, excluded from the determination of diluted earnings per share.

(13) Stockholders' Equity

On March 31, 2008, FairPoint completed the merger, pursuant to which Spinco merged with and into FairPoint, with FairPoint continuing as the surviving corporation for legal purposes. In order to effect the merger, the Company issued 53,760,623 shares of common stock, par value $.01 per share, to Verizon stockholders for their interest in Spinco. At the time of the merger, Legacy FairPoint had 35,264,945 shares of common stock outstanding. Upon consummation of the merger, the combined Company had 89,025,568 shares of common stock outstanding. At March 31, 2009, there were 89,498,336 shares of common stock outstanding and 200,000,000 shares of common stock were authorized.

(14) Transactions with Affiliates

The Verizon Northern New England business' financial statements for periods prior to the merger include the following transactions with Verizon and related subsidiaries:

The Verizon Northern New England business' operating revenue includes transactions with Verizon for the provision of local telephone services, network access, billing and collection services, interconnection agreements and the rental of facilities and equipment. These services were reimbursed

(14) Transactions with Affiliates (Continued)

by Verizon based on tariffed rates, market prices, negotiated contract terms that approximated market rates, or actual costs incurred by the Verizon Northern New England business.

The Verizon Northern New England business reimbursed Verizon for specific goods and services it provided to, or arranged for, the Verizon Northern New England business based on tariffed rates, market prices or negotiated terms that approximated market rates. These goods and services included items such as communications and data processing services, office space, professional fees and insurance coverage.

The Verizon Northern New England business also reimbursed Verizon for the Verizon Northern New England business' share of costs incurred by Verizon to provide services on a common basis to all of its subsidiaries. These costs included allocations for legal, security, treasury, tax and audit services. The allocations were based on actual costs incurred by Verizon and periodic studies that identified employees or groups of employees who were totally or partially dedicated to performing activities that benefited the Verizon Northern New England business, in activities such as investor relations, financial planning, marketing services and benefits administration. These allocations were based on actual costs incurred by Verizon, as well as on the size of the Verizon Northern New England business relative to other Verizon subsidiaries. The Company believes that these cost allocations are reasonable for the services provided. The Company also believes that these cost allocations are consistent with the nature and approximate amount of the costs that the Verizon Northern New England business would have incurred on a stand-alone basis.

The Verizon Northern New England business also recognized an allocated portion of interest expense in connection with contractual agreements between the Verizon Companies and Verizon for the provision of short-term financing and cash management services. Verizon issues commercial paper and obtains bank loans to fund the working capital requirements of Verizon's subsidiaries, including the Verizon Group, and invests funds in temporary investments on their behalf. The Verizon Group also recognized interest expense related to a promissory note held by Verizon.

The affiliate operating revenue and expense amounts do not include affiliate transactions between Verizon and VLD's, VOL's and VSSI's operations in Maine, New Hampshire and Vermont. Because the Verizon Northern New England business' operating expenses associated with VLD, VOL and VSSI were determined predominantly through allocations, separate identification of the affiliate transactions was not readily available.

(15) Fair Value Measurements

SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2, which delays the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company elected a partial deferral of SFAS No. 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating goodwill, investments, other intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities

(15) Fair Value Measurements (Continued)

for exit or disposal activities until fiscal years beginning after November 15, 2008. As of January 1, 2009, the Company adopted FSP 157-2 which did not have a material impact on the Company's financial statements. The impact of partially adopting SFAS No. 157 effective January 1, 2008 was not material to the Company's financial statements.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis (at least annually) as of March 31, 2009 (in thousands):

	March 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap agreements(1)	$ (70,057)	—	(70,057)	—

(1) Fair value of interest rate swaps at March 31, 2009 was calculated by the Company using valuation methodologies consistent with those of the counterparties to the underlying contracts. These market values were then discounted for the Company's risk of non-performance, which is represented by the market spread on our debt as of March 31, 2009. See note 8 for more information.

(16) Commitments and Contingencies

(a) Leases

Future minimum lease payments under capital leases and non-cancelable operating leases as of March 31, 2009 are as follows (in thousands):

	Capital Leases	Operating Leases
Twelve months ending March 31:		
2010	$ 3,111	$11,692
2011	2,850	10,054
2012	1,867	8,779
2013	1,705	7,572
2014	1,534	5,948
Thereafter	1,257	4,155
Total minimum lease payments	$12,324	$48,200
Less interest and executory cost	(3,218)	
Present value of minimum lease payments	9,106	
Less current installments	(1,999)	
Long-term obligations at March 31, 2009	$ 7,107	

The Company does not have any leases with contingent rental payments or any leases with contingency renewal, purchase options, or escalation clauses.

(16) Commitments and Contingencies (Continued)

(b) Legal Proceedings

From time to time, the Company is involved in litigation and regulatory proceedings arising out of its operations. Management believes that the Company is not currently a party to any legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on the Company's financial position or results of operations.

(c) Service Quality Penalties

The Company is subject to certain service quality requirements in the states of Maine, New Hampshire and Vermont. Failure to meet these requirements in any of these states may result in penalties being assessed by the respective state regulatory body. As of March 31, 2009, the Company has recognized an estimated liability for service quality penalties based on historical assessments. However, additional penalties may be assessed as a result of service quality issues related to the systems cutover, which could have a material adverse effect on the Company's financial position, results of operations and liquidity.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated).

The following discussion should be read in conjunction with the financial statements of the Company and the notes thereto, and gives effect to the restatement of our interim condensed consolidated financial statements as discussed in note 1 to the condensed consolidated financial statements. This discussion continues to reflect financial results and events as of the date of the Original Filing and has not been updated to reflect other events occurring after the date of the Original Filing or to modify or update those disclosures affected by subsequent events. This amended report for the quarter ended March 31, 2009 is being filed concurrently with amended reports on Forms 10-Q/A for prior quarterly periods ended June 30, and September 30, 2009, containing restated interim condensed consolidated financial statements as of and for the interim periods then ended.

The following discussion includes certain forward-looking statements. For a discussion of important factors, which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008 and "Part II—Item 1A. Risk Factors" and "Cautionary Note Concerning Forward-Looking Statements" contained in this Quarterly Report.

Overview

We are a leading provider of communications services in rural and small urban communities, offering an array of services, including local and long distance voice, data, video and Internet and broadband product offerings. We are one of the largest telephone companies in the United States focused on serving rural and small urban communities, and we are the 7th largest local telephone company in the United States, in each case based on number of access lines as of March 31, 2009. We operate in 18 states with 1.7 million access line equivalents (including voice access lines and high speed data lines, which include DSL, wireless broadband and cable modem) in service as of March 31, 2009.

We were incorporated in Delaware in February 1991 for the purpose of acquiring and operating incumbent telephone companies in rural markets. We have acquired 36 such businesses, 32 of which we continue to own and operate. Many of our telephone companies have served their respective communities for over 75 years.

As our primary source of revenues, access lines are an important element of our business. Over the past several years, communications companies, including FairPoint, have experienced a decline in access lines due to increased competition, including competition from wireless carriers and cable television operators, the introduction of DSL services (resulting in customers substituting DSL for a second line) and challenging economic conditions. During the period under which we were operating under a transition services agreement we entered into with certain subsidiaries of Verizon on January 15, 2007, as amended on March 31, 2008 (the "transition services agreement"), we had limited ability to change current product offerings. Now that we have completed the cutover to our own systems, we expect to be able to modify bundles and prices to be more competitive in the marketplace.

We are subject to regulation primarily by federal and state governmental agencies. At the federal level, the FCC generally exercises jurisdiction over the facilities and services of communications common carriers, such as us, to the extent those facilities are used to provide, originate or terminate interstate or international communications. State regulatory commissions generally exercise jurisdiction over common carriers' facilities and services to the extent those facilities are used to provide, originate or terminate intrastate communications. In addition, pursuant to the Telecommunications Act of 1996, which amended the Communications Act of 1934, state and federal regulators share responsibility for implementing and enforcing the domestic pro-competitive policies introduced by that legislation.

Legacy FairPoint's operations and our Northern New England operations operate under different regulatory regimes in certain respects. For example, concerning interstate access, all of the pre-merger regulated interstate services of FairPoint were regulated under a rate-of-return model, while all of the rate-regulated interstate services provided by the Verizon Northern New England business were regulated under a price cap model. We have obtained permission to continue to operate under this regime until the FCC completes its general review of whether to modify or eliminate the "all-or-nothing" rule. Without this permission, the all-or-nothing rule would require that all of our regulated operations be operated under the price cap model for federal regulatory purposes. In addition, while all of our operations generally are subject to obligations that apply to all local exchange carriers, our non-rural operations are subject to additional requirements concerning interconnection, non-discriminatory network access for competitive communications providers and other matters, subject to substantial oversight by state regulatory commissions. In addition, the FCC has ruled that our Northern New England operations must comply with the regulations applicable to the Bell Operating Companies. The rural and non-rural operations are also subject to different regimes concerning universal service.

Systems Cutover Status and Implications

During 2007, 2008 and throughout January 2009, we were in the process of developing and deploying new systems, processes and personnel to replace those used by Verizon to operate and support our network and back office functions in Maine, New Hampshire and Vermont. These services were provided by Verizon under the transition services agreement through January 30, 2009. On January 30, 2009, we began the cutover process from the Verizon systems to the new FairPoint systems, and on February 9, 2009, we began operating our new platform of systems independently from the Verizon systems, processes and personnel. During the period from January 23, 2009 until January 30, 2009, all retail orders were taken manually and following cutover were entered into the new systems. From February 2, 2009 through February 9, 2009, we manually processed only emergency orders, although we continued to provide repair and maintenance services to all customers.

Following the cutover, many of these systems have functioned without significant problems, but a number of the key back-office systems, such as order entry, order management and billing, experienced certain functionality issues. As a result of these systems functionality issues, as well as a lack of work force proficiency on the new systems, we have experienced increased handle time by customer service representatives for new orders, reduced levels of order flow-through across the systems, which caused delays in provisioning and installation, and delays in the processing of bill cycles and collection treatment efforts. These issues have impacted customer satisfaction and resulted in large increases in customer call volumes into our customer service centers. While many of these issues were anticipated, the magnitude of difficulties experienced was beyond our expectations.

We have since worked diligently to remedy these systems functionality issues, updated and provide for additional training opportunities for our workforce and have made measurable progress, although a number of issues still remain. Average handle time for our customer sales and service representatives, although still above pre-cutover levels, has been reduced significantly; provisioning of new orders has increased steadily, although a sizable backlog still remains; all bill cycles have been caught up and are now being processed on a normal schedule, and call volumes into the customer service centers have been substantially reduced and are nearly at pre-cutover levels. Collection efforts, however, are hampered by a lack of systems functionality, which adversely impacts our liquidity. Based on the progress made to date and our current plans, we continue to expect that we will largely return to normal operations by the end of the second quarter of 2009.

Because of these cutover issues, in the first quarter of 2009 we incurred $19.4 million of incremental expenses in order to operate our business, including third-party contractor costs and internal labor costs in the form of overtime pay. The cutover issues also required significant staff and senior management attention, diverting their focus from other efforts. We expect to continue to incur additional incremental costs during the second quarter of 2009, although the amount of such costs should decline as we return to a normal level of operations.

In addition to the significant incremental expenses we have incurred as a result of these cutover issues, we have been unable to fully implement our operating plan for 2009 and effectively compete in the marketplace, which we believe is having an adverse effect on our business, financial condition, results of operations and liquidity, as well as our ability to continue to comply with the financial covenants in our credit facility.

Dividends

Our board of directors has adopted a dividend policy that reflects our intent to return cash to stockholders. Future dividends, if any, will be paid from cash generated by our business in excess of operating needs, interest and principal payments on our indebtedness, dividends on future senior classes of our capital stock, if any, capital expenditures, taxes and future reserves, if any. Financial covenants in our credit facility and the indenture governing the notes may restrict our ability to pay dividends, and certain of these restrictions may be more restrictive than the conditions and restrictions imposed by the state regulatory orders. See "Part II—Item 2. Unregistered Sales of Equity Securities and Use of Proceeds—Restrictions on Payment of Dividends."

On March 4, 2009, our board of directors voted to suspend the quarterly dividend. This action is expected to improve our liquidity by approximately $93 million annually.

Recent Developments

Dividend

Our board of directors has adopted a dividend policy which reflects our intent to return cash to stockholders. On December 3, 2008, the Company declared a dividend of $0.2575 per share of common stock, which was paid on January 16, 2009 to holders of record as of December 31, 2008.

On March 4, 2009, our board of directors voted to suspend the quarterly dividend.

Credit Facility Amendment

On January 21, 2009, we entered into an Amendment, Waiver, Resignation and Appointment Agreement with Lehman Commercial Paper Inc. ("LCPI"), as resigning administrative agent, collateral agent and swingline lender, Bank of America, N.A. ("Bank of America"), as syndication agent and as successor administrative agent, collateral agent and swingline lender, and certain other financial institutions party thereto (the "amendment"). The amendment, among other things, amends our credit facility.

Pursuant to the amendment, LCPI resigned as administrative agent, collateral agent and swingline lender under our credit agreement and related documents and Bank of America was appointed as successor administrative agent, collateral agent and swingline lender.

The amendment also:

- Terminates LCPI's approximately $30 million unfunded commitment under our revolving credit facility and changes LCPI's existing pro rata share of the drawn revolving loans under the revolving facility into a new loan, aggregating approximately $30 million, which will be due in a single payment on the maturity date of our revolving credit facility (the "new Lehman loan"). The interest rate applicable to the new Lehman loan is equal to the interest rate applicable to loans under our revolving credit facility.

- Allows us and/or lenders holding a certain percentage of the loans and commitments under the credit agreement to remove any agent that is deemed to be a "defaulting lender" (a designation given to a lender that breaches certain of its obligations under the credit agreement or as to which certain circumstances exist relating to the financial wherewithal or stability of such a lender).
- Permits the repurchase of the notes, subject to certain conditions, including, without limitation, compliance with a tax sharing agreement, dated January 15, 2007, between FairPoint and Verizon (the "Tax Sharing Agreement"), and provides that the amount of cash used to make any such repurchase will reduce the amount of cumulative distributable cash (as defined in our credit facility) available for the payment of cash dividends or share repurchases and will reduce excess cash flow (as defined in our credit facility).
- Clarifies that if at any time we reduce or suspend the quarterly dividend payable on our common stock, we may increase the dividend back to the per share amount paid by us on October 17, 2008, subject to the satisfaction of certain conditions precedent to the payment of dividends.

Transition Agreement

In addition to a regular monthly fee, the transition services agreement and related agreements required us to make payments totaling approximately $45.4 million to Verizon in the first quarter of 2009, including a one-time fee of $34.0 million due at cutover, with the balance used to purchase certain internet access hardware from Verizon and its affiliates.

On January 30, 2009, we entered into a Transition Agreement (the "transition agreement") with Verizon and certain of its subsidiaries. The transition agreement was executed in connection with the cutover of certain back office systems, as contemplated by the transition services agreement.

Pursuant to the transition agreement:

- Verizon New England accelerated its payments totaling $30.0 million that could have been owed to us for certain potential line losses in New Hampshire (the "line loss payment"). The $30.0 million line loss payment was applied as a credit against the $34.0 million one-time fee owed by us at cutover to Verizon Information Technologies LLC ("Verizon Technologies") under the transition services agreement. The line loss payments were contemplated by an order of the NHPUC issued on February 25, 2008. The order required that Verizon pay $15.0 million to the Company on March 31, 2009 and also pay $15.0 million to the Company on March 31, 2010 if certain conditions were met. Verizon agreed that this line loss payment is not refundable to Verizon, regardless of whether the conditions to its payment set forth in the order are met.
- Verizon provided additional credits totaling approximately $7.7 million (including $7.5 million related to the purchase of certain internet access hardware and $0.2 million related to other fees) against the total payments due in the first quarter of 2009 from the Company to Verizon.

In accordance with the transition agreement, on February 20, 2009, we made a final payment to Verizon Technologies of approximately $7.7 million in respect of amounts owed under the transition services agreement and for the internet access hardware referred to above.

Basis of Presentation

On March 31, 2008, the merger between Spinco and Legacy FairPoint was completed. In connection with the merger and in accordance with the terms of the merger agreement, Legacy FairPoint issued 53,760,623 shares of common stock to Verizon stockholders. Prior to the merger, the Verizon Group engaged in a series of restructuring transactions to effect the transfer of specified assets and liabilities of the Verizon Northern New England business to Spinco and the entities that became Spinco's subsidiaries. Spinco was then spun off from Verizon immediately prior to the merger. While FairPoint was the surviving entity in the merger, for accounting purposes Spinco is deemed to be the acquirer. As a result, for the three months ended March 31, 2008, the statement of operations and the financial information derived from the statement of operations in this Quarterly Report reflect the financial results of the Verizon Northern New England business only for such period. For more information, see note 2 to the "Condensed Consolidated Financial Statements."

We view our business of providing voice, data and communication services to residential and business customers as one business segment as defined in Statement of Financial Accounting, or SFAS, No. 131, "Disclosures about Segments of an Enterprise and Related Information."

Revenues

We derive our revenues from:

- *Local calling services.* We receive revenues from our telephone operations from the provision of local exchange, local private line, wire maintenance, voice messaging and value-added services. Value-added services are a family of services that expand the utilization of the network, including products such as caller ID, call waiting and call return. The provision of local exchange services not only includes retail revenues but also includes local wholesale revenues from unbundled network elements, referred to as UNEs, interconnection revenues from competitive local exchange carriers and wireless carriers, and some data transport revenues.
- *Network access services.* We receive revenues earned from end-user customers and long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers and end-users that buy dedicated local and interexchange capacity to support their private networks. Access revenues are earned from resellers who purchase dial-tone services.
- *Interstate access revenue.* Interstate access charges to long distance carriers and other customers are based on access rates filed with the FCC. These revenues also include Universal Service Fund payments for high-cost loop support, local switching support, long term support and interstate common line support.
- *Intrastate access revenue.* These revenues consist primarily of charges paid by long distance companies and other customers for access to our networks in connection with the origination and termination of intrastate telephone calls both to and from our customers. Intrastate access charges to long distance carriers and other customers are based on access rates filed with the state regulatory agencies.
- *Universal Service Fund high-cost loop support.* We receive payments from the Universal Service Fund to support the high cost of operating in rural markets and to provide support for low income subscribers, schools, libraries and rural healthcare.
- *Long distance services.* We receive revenues from long distance services we provide to our residential and business customers. Included in long distance services revenue are revenues received from regional toll calls.
- *Data and Internet services.* We receive revenues from monthly recurring charges for services, including high speed data, Internet and other services.
- *Other services.* We receive revenues from other services, including video services (including cable television and video-over-DSL), public (coin) telephone, billing and collection, directory services and the sale and maintenance of customer premise equipment.

The following table summarizes revenues and the percentage of revenues from the listed sources (in thousands, except for percentage of revenues data):

	Revenues		% of Revenues	
	Three months Ended March 31,		Three months ended March 31,	
	2009 Restated	2008	2009 Restated	2008
Revenue Source:				
Local calling services	$122,820	132,175	41%	47%
Access	93,127	79,018	31%	28%
Long distance services	43,395	41,267	15%	15%
Data and Internet services	28,194	22,020	9%	8%
Other services	11,762	7,934	4%	2%
Total	299,298	282,414	100%	100%

Operating Expenses

Our operating expenses consist of cost of services and sales, selling, general and administrative expenses, and depreciation and amortization.

- *Cost of Services and Sales.* Cost of services and sales includes the following costs directly attributable to a service or product: salaries and wages, benefits, materials and supplies, contracted services, network access and transport costs, customer provisioning costs, computer systems support and cost of products sold. Aggregate customer care costs, which include billing and service provisioning, are allocated between cost of services and sales and selling, general and administrative expense.
- *Selling, General and Administrative Expense.* Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income, advertising and sales commission costs, customer billing, call center and information technology costs, professional service fees and rent for administrative space. Also included in selling, general and administrative expenses are non-cash expenses related to stock based compensation. Stock based compensation consists of compensation charges incurred in connection with the employee stock options, stock units and non-vested stock granted to executive officers and directors.
- *Depreciation and amortization.* Depreciation and amortization includes depreciation of our communications network and equipment and amortization of intangible assets.

Because the Verizon Northern New England business had been operating as the local exchange carrier of Verizon in Maine, New Hampshire and Vermont, and not as a standalone telecommunications provider, the historical operating results of the Verizon Northern New England business for the three months ended March 31, 2008 include approximately $58 million of expenses for services provided by the Verizon Group, including information systems and information technology, shared assets including office space outside of New England, supplemental customer sales and service and operations. Through January 30, 2009, we operated under the transition services agreement, under which we incurred $15.9 million of expenses during the three months ended March 31, 2009. As of January 30, 2009, we began performing these services internally or obtaining them from third-party service providers and not from Verizon.

Acquisitions and Dispositions

On March 31, 2008, we completed the merger with Spinco. The merger of Legacy FairPoint and Spinco was accounted for as a reverse acquisition of Legacy FairPoint by Spinco under the purchase method of accounting because Verizon's stockholders owned at least a majority of the shares of the combined Company following the merger. The merger consideration was $316.3 million. Spinco was a wholly-owned subsidiary of Verizon that owned Verizon's local exchange and related business activities in Maine, New Hampshire and Vermont. Spinco was spun off from Verizon immediately prior to the merger. Spinco served approximately 1,562,000 access line equivalents as of the date of acquisition.

Results of Operations

Three Months Ended March 31, 2009 Compared with Three Months Ended March 31, 2008

The following table sets forth the percentages of revenues represented by selected items reflected in the statements of operations. The year-to-year comparisons of financial results are not necessarily indicative of future results (in thousands, except percentage of revenues data):

	2009 Restated	% of Revenues Restated	2008	% of Revenues
Revenues	$299,298	100%	$282,414	100%
Operating expenses				
Cost of services and sales	145,263	48	135,837	48
Selling, general and administrative	92,412	31	63,116	22
Depreciation and amortization	67,867	23	53,925	19
Total operating expenses	305,542	102	252,878	89
Income (loss) from operations	(6,244)	(2)	29,536	11
Interest expense	(53,479)	(18)	(14,522)	(5)
Gain on derivative instruments	12,898	4	—	—
Gain on early retirement of debt	4,863	2	—	—
Other income	6,277	2	986	—
Income (loss) before income taxes	(35,685)	(12)	16,000	6
Income tax (expense) benefit	13,380	5	(6,457)	(2)
Net income (loss)	$(22,305)	(7)%	$ 9,543	4%

Revenues increased $16.9 million to $299.3 million in the first quarter of 2009 compared to 2008. The acquisition of Legacy FairPoint contributed $62.2 million to total revenues in the three months ended March 31, 2009. Excluding the impact of the merger, combined total revenue would have decreased $45.3 million. We derive our revenues from the following sources:

Local calling services. Local calling services revenues decreased $9.4 million to $122.8 million during the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $18.3 million to local revenue for the three months ended March 31, 2009. Excluding the impact of the merger, local calling services revenues would have decreased $27.7 million compared to the prior year. This decrease is primarily due to a 10.9% decline in total voice access lines in service at March 31, 2009 compared to March 31, 2008. The revenue decline was mainly driven by the effects of competition and technology substitution.

Access. Access revenues increased $14.1 million to $93.1 million during the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $23.9 million to access revenues for the three months ended March 31, 2009. Excluding the impact of the merger, access revenues would have decreased by $9.8 million. Of this decrease, $7.8 million is attributable to a decrease in interstate access revenues and $2.0 million is attributable to a decrease in intrastate access revenues, reflecting the impact of access line loss and technology substitution.

Long distance services. Long distance services revenues increased $2.1 million to $43.4 million in the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $7.1 million to long distance in the three months ended March 31, 2009. Excluding the impact of the merger, long distance revenues would have decreased $5.0 million. The decrease was primarily attributable to a decrease in the number of subscriber lines in 2009, partially offset by increased revenue from bundled product offerings designed to retain customers and generate more revenue.

Data and Internet services. Data and Internet services revenues increased $6.2 million to $28.2 million in the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $8.7 million to data and Internet services revenues in the three months ended March 31, 2009. Excluding the impact of the merger, data and Internet services revenues would have decreased $2.5 million.

Other services. Other services revenues increased $3.8 million to $11.8 million in the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $4.1 million to other services revenues in the three months ended March 31, 2009. Excluding the impact of the merger, other services revenues would have decreased $0.3 million.

Operating Expenses

Cost of services and sales. Cost of services and sales increased $9.4 million to $145.3 million in the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $25.1 million to cost of services and sales expenses in the three months ended March 31, 2009. Also included in cost of services and sales for the three months ended March 31, 2009 are $6.1 million of expenses related to the transition services agreement. Excluding the impact of the merger and the transition services agreement, cost of services and sales would have declined $21.8 million. The decline reflects the elimination of costs allocated from Verizon affiliates prior to the closing of the merger, which has more than offset direct costs incurred by us to operate our Northern New England operations.

Selling, general and administrative. Selling, general and administrative expenses increased $29.3 million to $92.4 million in the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $19.0 million to selling, general and administrative expenses in the three months ended March 31, 2009. Included in selling, general and administrative expenses for the three months ended March 31, 2009 are $9.8 million of expenses related to the transition services agreement and $19.4 million of non-recurring cutover related costs (which we are allowed to add back to adjusted EBITDA under our credit facility). Excluding the impact of the merger and the transition services agreement, selling, general and administrative expenses would have decreased $18.9 million. The decline reflects the elimination of costs allocated from Verizon affiliates prior to the closing of the merger, which has more than offset the direct costs incurred by us to operate our Northern New England operations.

Depreciation and amortization. Depreciation and amortization expense increased $13.9 million to $67.9 million in the first quarter of 2009 compared to the same period in 2008. Legacy FairPoint contributed $9.3 million to depreciation and amortization expenses in the three months ended March 31, 2009. Excluding the impact of the merger, depreciation and amortization expense would have increased $4.6 million.

Other Results

Interest expense. Interest expense increased $39.0 million to $53.5 million in the first quarter of 2009 compared to the same period in 2008. This increase is due to the debt that we incurred upon and subsequent to the closing of the merger.

Gain on derivative instruments. Gain on derivative instruments represents net gains and losses recognized on the change in fair market value of interest rate swap derivatives. During the three months ended March 31, 2009, we recognized non-cash gains of $12.9 million related to our derivative financial instruments.

Gain on early retirement of debt. Gain on early retirement of debt represents a $5.6 million net gain recognized on the repurchase of $8.0 million aggregate principal amount of the notes, partially offset by a loss of $0.8 million attributable to writing off a portion of the unamortized debt issue costs associated with our credit facility.

Other income (expense). Other income (expense) includes non-operating gains and losses such as those incurred on sale of equipment. Other income increased $5.3 million to $6.3 million in the first quarter of 2009 compared to the same period in 2008. The increase was primarily attributable to a one-time gain of $5.4 million recognized in the first quarter of 2009 related to the settlement under the transition agreement.

Income taxes. The effective income tax rate is the provision for income taxes stated as a percentage of income before the provision for income taxes. The effective income tax rate in the first quarter of 2009 and 2008 was 37.5% benefit and 40.4% expense, respectively.

Net income (loss). Net loss for the three months ended March 31, 2009 was $22.3 million compared to net income of $9.5 million for the same period in 2008. The difference in net income (loss) between 2009 and 2008 is a result of the factors discussed above.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Our critical accounting policies are as follows:

- Revenue recognition;
- Allowance for doubtful accounts;
- Accounting for pension and other post-retirement benefits;
- Accounting for income taxes;
- Depreciation of property, plant and equipment;
- Valuation of long-lived assets, including goodwill;
- Accounting for software development costs; and
- Purchase accounting.

Revenue Recognition. We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. Fixed fees for local telephone, long distance, Internet services and certain other services are recognized in the month the service is provided. Revenue from other services that are not fixed fee or that exceed contracted amounts is recognized when those services are provided. Non-recurring customer activation fees, along with the related costs up to, but not exceeding, the activation fees, are deferred and amortized over the customer relationship period.

Allowance for Doubtful Accounts. In evaluating the collectability of our accounts receivable, we assess a number of factors, including a specific customer's or carrier's ability to meet its financial obligations to us, the length of time the receivable has been past due and historical collection experience. Based on these assessments, we record both specific and general reserves for uncollectible accounts receivable to reduce the related accounts receivable to the amount we ultimately expect to collect from customers and carriers. If circumstances change or economic conditions worsen such that our past collection experience is no longer relevant, our estimate of the recoverability of our accounts receivable could be further reduced from the levels reflected in our accompanying condensed consolidated balance sheet.

Accounting for Pension and Other Post-retirement Benefits. Some of our employees participate in our pension plans and other post-retirement benefit plans. In the aggregate, the pension plan benefit obligations exceed the fair value of pension plan assets, resulting in expense. Other post-retirement benefit plans have larger benefit obligations than plan assets, resulting in expense. Significant pension and other post-retirement benefit plan assumptions, including the discount rate used, the long term rate of return on plan assets, and medical cost trend rates are periodically updated and impact the amount of benefit plan income, expense, assets and obligations.

Accounting for Income Taxes. Our current and deferred income taxes are affected by events and transactions arising in the normal course of business, as well as in connection with the adoption of new accounting standards and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual payments may differ from these estimates as a result of changes in tax laws, as well as unanticipated future transactions affecting related income tax balances. We account for tax benefits taken or expected to be taken in our tax returns in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which requires the use of a two step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions.

Depreciation of Property, Plant and Equipment. We recognize depreciation on property, plant and equipment principally on the composite group remaining life method and straight-line composite rates over estimated useful lives ranging from three to 50 years. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value (if any), over the remaining asset lives. This method requires the periodic revision of depreciation rates. Changes in the estimated useful lives of property, plant and equipment or depreciation methods could have a material effect on our results of operations.

Valuation of Long-lived Assets, Including Goodwill. We review our long-lived assets, including goodwill, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Several factors could trigger an impairment review such as:

- significant underperformance relative to expected historical or projected future operating results;
- significant regulatory changes that would impact future operating revenues;
- significant negative industry or economic trends; and
- significant changes in the overall strategy in which we operate our overall business.

Goodwill was $595.1 million at March 31, 2009. We have recorded intangible assets related to the acquired companies' customer relationships and trade names of $251.7 million as of March 31, 2009. As of March 31, 2009, there was $22.9 million of accumulated amortization recorded. These intangible assets are being amortized over a weighted average life of approximately 9.7 years. The intangible assets are included in intangible assets on our condensed consolidated balance sheet.

We are required to perform an impairment review of goodwill as required by SFAS No. 142, *Goodwill and Other Intangible Assets* annually or when impairment indicators are noted. We performed our annual goodwill impairment assessment as of October 1, 2008 and concluded that there was no indication of impairment at this time. In light of the weakening economic environment, we performed another assessment as of December 31, 2008 and concluded that there was no indication of impairment at that time. Given the continued deterioration of economic conditions, we will continue to monitor for impairment indicators.

Accounting for Software Development Costs. We capitalize certain costs incurred in connection with developing or obtaining internal use software in accordance with American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (98-1). Capitalized costs include direct development costs associated with internal use software, including direct labor costs and external costs of materials and services. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Purchase Accounting. We recognize the acquisition of companies in accordance with SFAS No. 141, *Accounting for Business Combinations* ("SFAS 141"). The cost of an acquisition is allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the acquisition, with amounts exceeding the fair value being recorded as goodwill.

New Accounting Standards

In December 2007, the FASB issued SFAS No. 141R, "Business Combinations" ("SFAS 141R"). SFAS 141R replaces SFAS 141 and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. This standard is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. We will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of SFAS 161 did not have a material impact on our results of operations and financial position.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). Statement 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The adoption of SFAS 162 is not expected to have any impact on our consolidated results of operations and financial position.

Inflation

We do not believe inflation has a significant effect on our operations.

Liquidity and Capital Resources

Our short-term and long-term liquidity needs arise primarily from: (i) interest and principal payments on our indebtedness; (ii) capital expenditures, including those mandated by the state regulatory orders approving the merger; (iii) working capital requirements as may be needed to support the growth of our business; (iv) dividend payments, if any, on our common stock; (v) obligations under our employee benefit plans; and (vi) potential acquisitions.

As we have essentially fully drawn down on our available credit facility, and in view of the current state of the financial markets, we anticipate that our primary source of liquidity will be cash flow from operations and cash on hand. While we currently believe that cash generated from operations and cash on hand should be sufficient to meet our cash obligations for the next twelve months, any delays or disruptions in cash flows would place further strains on our liquidity position.

As of March 31, 2009, we were in compliance with the financial covenants contained in our credit facility. However, the continuing adverse general economic conditions, the operational difficulties experienced following the cutover to our new platform of systems for the Northern New England operations, the additional incremental costs incurred to operate the business following the cutover and our resulting inability to fully execute on our 2009 operating plan and compete effectively in the marketplace are causing us to be at risk of failing to comply with the interest coverage covenant contained in our credit facility as early as the covenant measurement period ending June 30, 2009. If a default occurs, the lenders would be permitted to accelerate the maturity of the loans outstanding under our credit facility, to seek to foreclose upon any collateral securing such loans and to terminate any commitments of the lenders to lend to us. In the event of noncompliance, we would seek to obtain a waiver from our lenders or seek to amend the covenants. There can be no assurance that such a waiver or amendment could be obtained at all or on terms, including any costs or fees associated therewith, reasonably acceptable to us in light of our current liquidity position and expected future cash flows.

We are considering engaging a financial advisor to evaluate our current capital structure and to explore options with respect to a potential restructuring. In addition, we intend to seek from time to time to repurchase a portion of the notes. Such repurchases, if any, will depend on prevailing market conditions, our liquidity needs, contractual restrictions, including those contained in the Tax Sharing Agreement and the agreements governing our indebtedness, and other factors.

On March 4, 2009, our board of directors voted to suspend the quarterly dividend. This action was taken to increase financial flexibility and enable us to begin to focus on strengthening our capital structure. This action was expected to improve our liquidity by approximately $93 million annually.

Our $2,030 million senior secured credit facility consists of a non-amortizing revolving facility in an aggregate principal amount of $200 million, a senior secured term loan A facility in an aggregate principal amount of $500 million, a senior secured term loan B facility in the aggregate principal amount of $1,130 million and a delayed draw term loan facility in an aggregate principal amount of $200 million. Spinco drew $1,160 million under the term loan immediately prior to being spun off by Verizon, and then FairPoint drew $470 million under the term loan and $5.5 million under the delayed draw term loan concurrently with the closing of the merger.

Subsequent to the merger, we borrowed the remaining $194.5 million available under the delayed draw term loan. These funds were used for certain capital expenditures and other expenses associated with the merger. As of March 31, 2009, we had also borrowed $150.0 million under our $170.0 million revolving credit facility.

On October 5, 2008, the administrative agent under our credit facility filed for bankruptcy. The administrative agent accounted for thirty percent of the loan commitments under our revolving credit facility. On January 21, 2009, we entered into an amendment to our credit facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn commitments under our revolving credit facility, totaling $30.0 million, were terminated and are no longer available to us. See "Recent Developments—Credit Facility Amendment." Accordingly, as of March 31, 2009, the remaining amount available under our revolving credit facility is $4.7 million, net of outstanding letters of credit. As of March 31, 2009, we also had pending commitments for additional letters of credit totaling $3.7 million.

The revolving credit facility has a swingline subfacility in the amount of $10.0 million and a letter of credit subfacility in the amount of $30.0 million, which allows for issuances of standby letters of credit for our account. Our credit facility also permits interest rate and currency exchange swaps and similar arrangements that we may enter into with the lenders under our credit facility and/or their affiliates.

The term loan B facility and the delayed draw term loan will mature in March 2015 and the revolving credit facility and the term loan A facility will mature in March 2014. Each of the term loan A facility, the term loan B facility and the delayed draw term loan are repayable in quarterly installments in the manner set forth in our credit facility.

Interest rates for borrowings under our credit facility are, at our option, for the revolver and for the term loans at either (a) the Eurodollar rate, as defined in the credit agreement, plus an applicable margin or (b) the base rate, as defined in the credit agreement, plus an applicable margin.

Our credit facility contains customary affirmative covenants and also contains negative covenants and restrictions, including, among others, with respect to the redemption or repurchase of our other indebtedness, loans and investments, additional indebtedness, liens, capital expenditures, changes in the nature of our business, mergers, acquisitions, asset sales and transactions with affiliates.

Borrowings under our credit facility bear interest at variable interest rates. We have entered into various interest rate swap agreements which are detailed in note 8 of the notes to our condensed consolidated financial statements for the three months ended March 31, 2009 included in this Quarterly Report. As a result of these swap agreements, approximately 76% of our indebtedness effectively bore interest at fixed rates rather than variable rates as of March 31, 2009. After these interest rate swap agreements expire, our annual debt service obligations on such portion of the term loans will vary from year to year unless we enter into a new interest rate swap or purchase an interest rate cap or other interest rate hedge. To the extent interest rates increase in the future, we may not be able to enter into new interest rate swaps or to purchase interest rate caps or other interest rate hedges on acceptable terms.

Spinco issued, and we assumed in the merger, $551.0 million aggregate principal amount of the notes. The notes mature on April 1, 2018 and are not redeemable at our option prior to April 1, 2013. Interest is payable on the notes semi-annually, in cash, on April 1 and October 1. The notes bear interest at a fixed rate of 13⅛% and principal is due at maturity. These notes were issued at a discount and, accordingly, at the date of their distribution, the notes had a carrying value of $539.8 million (principal amount at maturity of $551.0 million less discount of $11.2 million).

The indenture governing the notes limits, among other things, our ability to incur additional indebtedness and issue certain preferred stock, repurchase our capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restrictions on the ability of our subsidiaries to make distributions or transfer assets to us and enter into transactions with affiliates.

During the three months ended March 31, 2009, we repurchased $8.0 million aggregate principal amount of the notes for an aggregate purchase price of $2.2 million in cash. In addition, we prepaid $3.3 million of principal under the term loan A facility of our credit facility. In total, we retired $11.3 million of outstanding debt during the three months ended March 31, 2009.

Our ability to service our indebtedness will depend on our ability to generate sufficient cash in the future. Scheduled amortization payments will begin on the term loan A facility of our credit facility in 2009, on the term loan B facility of our credit facility in 2010 and on the delayed draw facility in 2011. No principal payments are due on the notes prior to their maturity. We will need to refinance all or a portion of our indebtedness on or before maturity and may not be able to refinance our indebtedness on commercially reasonable terms or at all.

Net cash provided by (used in) operating activities was $46.0 million and $(0.3) million for the three months ended March 31, 2009 and 2008, respectively.

Net cash used in investing activities was $57.4 million and $13.1 million for the three months ended March 31, 2009 and 2008, respectively. These cash flows primarily reflect capital expenditures of $57.5 million and $24.6 million for the three months ended March 31, 2009 and 2008, respectively. Net cash used in investing activities also includes acquired cash of $11.6 million for the three months ended March 31, 2008.

Net cash provided by financing activities was $33.7 million and $24.3 million for the three months ended March 31, 2009 and 2008, respectively. For the three months ended March 31, 2009, net proceeds from FairPoint's issuance of long-term debt were $50.0 million, repayment of long-term debt was $5.5 million and dividends to stockholders was $23.0 million.

Cash and cash equivalents at March 31, 2009 totaled $92.5 million, excluding restricted cash totaling an additional $55.2 million. At April 30, 2009, cash and cash equivalents totaled $69.0 million.

We expect our capital expenditures will be approximately $190 million to $210 million in 2009. We anticipate that we will fund these expenditures through cash flows from operations and cash on hand.

We expect our contributions to our employee pension plans and post-retirement medical plans will be approximately $0.6 million in 2009.

As a condition to the approval of the merger and related transactions by state regulatory authorities, we have agreed to make capital expenditures following the completion of the merger. As a condition to the approval of the transactions by the state regulatory authority in Maine, we agreed that, following the closing of the merger, we will make capital expenditures in Maine during the first three years after the closing of $48 million in the first year and an average of $48 million in the first two years and an average of $47 million in the first three years. We are also required to expend over a five year period not less than $40 million on equipment and infrastructure to expand the availability of broadband services in Maine, which is expected to result in capital expenditures in Maine in excess of the minimum capital expenditure requirements described above.

The order issued by the state regulatory authority in Vermont also requires us to make capital expenditures in Vermont during the first three years after the closing of the merger in the amount of $41 million for the first year and averaging $40 million per year in the first two years and averaging $40 million per year in the first three years following the closing. Pursuant to the Vermont order, we are required to remove double poles in Vermont, make service quality improvements and address certain broadband build-out commitments under a performance enhancement plan in Vermont, using, in the case of double pole removal, $6.7 million provided by the Verizon Group and, in the case of service quality improvements under the performance enhancement plan, $25 million provided by the Verizon Group. In Vermont we have also agreed to certain broadband build-out milestones that require us to reach 100% broadband availability in 50% of our exchanges in Vermont, which could result in capital expenditures of $44 million over such period in addition to the minimum capital expenditures required by the Vermont order as set forth above.

We are also required to make capital expenditures in New Hampshire of at least $52 million during each of the first three years after the closing of the merger and $49 million during each of the fourth and fifth years after the closing of the merger. The amount of any shortfall in any year must be expended in the following year, and the amount of any excess in any year may be deducted from the amount required to be expended in the following year. If any shortfall in any year exceeds $3 million, then the amount that we are required to spend in the following year shall be increased by 150% of the amount of such shortfall. If there is any shortfall at the end of the fifth year after the closing of the merger, we will be required to spend 150% of the amount of such shortfall at the direction of the New Hampshire Public Utilities Commission. The New Hampshire Public Utilities Commission may require that a portion of these increased capital expenditures be directed toward state programs rather than invested in our assets. We are required to spend at least $56.4 million over the 60-month period following the closing of the merger on broadband infrastructure in New Hampshire, which is expected to result in capital expenditures in New Hampshire in excess of the minimum capital expenditure requirements described above. We also have the availability of $49.2 million contributed to us by the Verizon Group, and $1.0 million in interest earned thereon, to make capital and operating expenditures in New Hampshire in addition to those described above for unexpected infrastructure improvements proposed by us and approved by the New Hampshire Public Utilities Commission.

Additionally, the orders issued by the state regulatory authorities in Maine, New Hampshire and Vermont in connection with their approval of the merger include a requirement that we pay the greater of $45 million or 90% of our free cash flow (defined as the cash flow remaining after all operating expenses, interest payments, tax payments, capital expenditures, dividends and other routine cash expenditures have occurred) annually to reduce the principal amount of our indebtedness, until certain financial ratio tests have been satisfied.

On January 30, 2009, we entered into the transition agreement with Verizon in connection with the cutover of certain back office systems, as contemplated by the transition services agreement. The transition services agreement and related agreements had required us to make payments totaling approximately $45.4 million to Verizon in the first quarter of 2009, including a one-time fee of $34.0 million due at cutover, with the balance related to the purchase of certain internet access hardware. The settlement set forth in the transition agreement resulted in a $22.7 million improvement in our cash flow for the first quarter of 2009. See "Recent Developments—Transition Agreement."

Summary of Contractual Obligations

The tables set forth below contain information with regard to disclosures about contractual obligations and commercial commitments.

The following table discloses aggregate information about our contractual obligations as of March 31, 2009 and the periods in which payments are due:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(in thousands)		
Long-term debt, including current maturities(a)	$2,519,750	$ 45,000	$108,300	$413,200	$1,953,250
Interest payments on long-term debt obligations(b)	1,089,053	213,792	378,279	338,952	158,030
Capital lease obligations	12,324	3,111	4,717	3,239	1,257
Operating leases	48,200	11,692	18,833	13,520	4,155
Total projected contractual obligations	$3,669,327	$273,595	$510,129	$768,911	$2,116,692

(a) Includes $543.0 million of the notes. The notes were issued at a face value of $551.0 million and a discount of $11.2 million. During the first quarter of 2009, $8.0 million of the notes were retired. See note 9 to the "Condensed Consolidated Financial Statements" for more information.

(b) Excludes amortization of estimated capitalized debt issuance costs.

The following table discloses aggregate information about our derivative financial instruments as of March 31, 2009, including the source of fair value of these instruments and their maturities.

	Fair Value of Contracts at Period End				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(Dollars in thousands)		
Source of fair value:					
Derivative financial instruments(1)	$(70,057)	(39,860)	(28,878)	(1,319)	—

(1) Fair value of interest rate swaps at March 31, 2009 is based on information provided by the counterparties in order to compute the value of the underlying contracts using consistent methodologies. These market values were then discounted for the Company's risk of non-performance, which is represented by the market spread on our debt as of March 31, 2009. See note 8 to the "Condensed Consolidated Financial Statements" for more information.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As of March 31, 2009, approximately 76% of our indebtedness bore interest at fixed rates or effectively at fixed rates. As of March 31, 2009, we had total debt of $2,520 million, consisting of both fixed rate and variable rate debt with interest rates ranging from 3.063% to 13.125% per annum, including applicable margins. As of March 31, 2009, the fair value of our debt was approximately $1,057 million. Our term loan A facility and revolver mature in 2014, our term loan B facility and delayed draw term loan mature in 2015 and the notes mature in 2018.

We use variable and fixed-rate debt to finance our operations, capital expenditures and acquisitions. The variable rate debt obligations expose us to variability in interest payments due to changes in interest rates. We believe it is prudent to limit the variability of a portion of our interest payments. To meet this objective, from time to time, we enter into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively change the variable rate on the debt obligations to a fixed rate. Under the terms of the interest rate swaps, we make a payment if the variable rate is below the fixed rate, or we receive a payment if the variable rate is above the fixed rate. Pursuant to our credit facility, we are required to reduce the risk of interest rate volatility with respect to at least 50% of our term loan borrowings.

The chart below provides details of each of our interest rate swap agreements.

Effective Date:	Notional Amount	Rate	Rate, including applicable margin	Expiration Date
February 8, 2005	$130.0 Million	4.11%	6.86%	December 31, 2009
April 29, 2005	$50.0 Million	4.72%	7.47%	March 31, 2012
June 30, 2005	$50.0 Million	4.69%	7.44%	March 31, 2011
June 30, 2006	$50.0 Million	5.36%	8.11%	December 31, 2009
December 31, 2007	$65.0 Million	4.91%	7.66%	December 30, 2011
December 31, 2007	$75.0 Million	5.46%	8.21%	December 31, 2010
December 31, 2008	$100.0 Million	5.02%	7.77%	December 31, 2010
December 31, 2009	$150.0 Million	5.65%	8.40%	December 31, 2011
June 30, 2008	$100.0 Million	4.99%	7.74%	December 30, 2010
June 30, 2008	$100.0 Million	4.95%	7.70%	June 30, 2010
June 30, 2008	$100.0 Million	5.45%	8.20%	December 31, 2010
June 30, 2008	$100.0 Million	5.30%	8.05%	December 30, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
December 31, 2010	$300.0 Million	4.49%	7.24%	December 31, 2012
June 30, 2008	$250.0 Million	3.25%	6.00%	December 31, 2010

At March 31, 2009, the fair market value of these swaps is a net liability of approximately $70.1 million, of which $39.9 million has been included in other current liabilities and $30.2 million has been included in other long-term liabilities.

We do not hold or issue derivative financial instruments for trading or speculative purposes.

We are also exposed to market risk from changes in the fair value of our pension plan assets. For the three months ended March 31, 2009, the actual loss on the pension plan assets has been approximately 12.2%. Net periodic benefit cost for 2009 assumes a weighted average annualized expected return on plan assets of approximately 8.3%. Should our actual return on plan assets continue to be significantly lower than our expected return assumption, our net periodic benefit cost will increase in future periods and we may be required to contribute additional funds to our pension plans after 2009.

Item 4. Controls and Procedures (Restated).

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

At the time of the Original Filing, our principal executive officer and principal financial officer concluded that our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) were effective as of March 31, 2009. Subsequent to that evaluation, as a result of the restatement described in the "Explanatory Note" and note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 2, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were not effective as of March 31, 2009 because of the material weaknesses described below.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in the reporting company's annual or interim financial statements will not be prevented or detected on a timely basis. In connection with our fiscal 2009 year-end reconciliation and closing procedures, we determined that the restatement described in the "Explanatory Note" and note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 2 was necessary. As a result of identifying this matter, we re-evaluated our internal controls over financial reporting and have concluded that the following material weaknesses existed during 2009:

1. Our information technology controls were not adequate. Adequate testing was not performed to ensure that certain revenue transactions were properly accounted for and transferred from our billing system to our general ledger. Also, access to our information systems was not appropriately restricted.
2. Our management oversight and review procedures designed to monitor the accuracy of period-end accounting activities were ineffective. Specifically, our account reconciliation processes were not adequate to properly identify and resolve discrepancies between our billing system and our general ledger in a timely manner. In addition, control weaknesses existed relating to revenue, operating expenses, accounts receivable, fixed assets and income taxes.

Management's Remediation of the Material Weaknesses

Effective in February 2010, our management believes that it has corrected the primary issues that led to the restatement. Specifically, we have:

1. Corrected the billing system settings so that they properly transfer the identified transactions to the general ledger; and
2. Enhanced our account reconciliation and review procedures to detect this type of error on a timely basis in the future.

We believe these measures and other planned process improvements will adequately remediate the material weaknesses described above and will strengthen our internal controls over financial reporting. We are committed to continuing to improve our internal control processes and will continue to review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may identify additional measures to address these material weaknesses or determine to modify certain of the remediation procedures described above. Our management, with the oversight of the audit committee of our board of directors, will continue to assess and take steps to enhance the overall design and capability of our control environment in the future.

Changes in Internal Control Over Financial Reporting

In connection with the merger, we have significantly expanded our internal control over financial reporting in order to encompass the new internal control structure associated with our Northern New England operations. Accordingly, we have developed a significant number of new processes, systems and related controls governing various aspects of our financial reporting process, particularly relating to our Northern New England operations and the consolidation of our Northern New England operations with Legacy FairPoint's operations. The processes we have developed include, but are not limited to, information technology, order provisioning, customer billing, payment processing, credit and collections, inventory management, accounts payable, payroll, human resource administration, tax, general ledger accounting and external reporting.

With the exception of the foregoing, there have been no changes in our internal control over financial reporting during the quarter ended March 31, 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We do note however that subsequent to the quarter ended March 31, 2009, we implemented the remediation described above to address the material weaknesses in our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in litigation and regulatory proceedings arising out of our operations. Management believes that we are not currently a party to any legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on our financial position or results of operations.

We are subject to certain service quality requirements in the states of Maine, New Hampshire and Vermont. Failure to meet these requirements in any of these states may result in penalties being assessed by the appropriate state regulatory body. As of March 31, 2009, we have recognized an estimated liability for service quality penalties based on historical assessments. However, additional penalties may be assessed as a result of service quality issues related to the systems cutover, which could have a material adverse effect on our financial position, results of operations and liquidity.

Item 1A. Risk Factors (Restated).

(a) The following risk factor is added to the risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, under the heading "Risks Related to Our Substantial Indebtedness and Common Stock."

The price of our common stock may be negatively impacted by the issuance of shares under our 401(k) plans

Effective for the first full payroll period in April 2009, matching contributions made to our 401(k) plans for certain employees may be made in the form of our common stock. Issuance of common stock under the 401(k) plans, if any, will increase the number of shares of common stock outstanding and reduce earnings per share. This may have an adverse impact on the market value of our common stock, which could negatively affect holders of our common stock.

The risk factor entitled "*The integration of Legacy FairPoint's and Spinco's businesses and the cutover to our new systems may not be successful,*" which was previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, is deleted in its entirety and is replaced by the risk factor presented below.

Since the cutover, we have experienced certain systems functionality issues that have had, and may continue to have, a material impact on our business, financial condition, results of operations and liquidity.

On January 30, 2009, we began the cutover from Verizon's systems to our new, fully integrated systems platform. On February 9, 2009, we began to independently operate our business on the new systems. Since the cutover, a number of the key back-office systems, such as order entry, order management and billing, have experienced certain functionality issues. Although we have made measurable progress in remedying these functionality issues, a number of issues still remain. In particular, our efforts to collect unpaid bills are hampered by a lack of systems functionality, and we have incurred significant incremental third party contractor expenses as a result of these functionality issues, both of which have had a material impact on our business, financial condition, results of operations and liquidity. At this time, we expect that the delay in cash collections and the incurrence of incremental costs will continue during the second quarter of 2009. In addition, these functionality related issues may continue to have a material impact on our business, financial condition, results of operations and liquidity beyond the second quarter of 2009, and additional issues related to the cutover may arise, which could have a further negative impact our business, financial condition, results of operations and liquidity.

(b) The following risk factor is added to the risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as the final risk factor under the heading "Risks Relating to Our Business."

We have identified material weaknesses in our internal controls over financial reporting which existed as of March 31, 2009. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

As discussed in "Part I—Item 4. Controls and Procedures," in connection with the restatement, we concluded that the following material weaknesses in our internal controls over financial reporting existed as of March 31, 2009:

- Our information technology controls were not adequate to ensure that all revenue transactions were properly accounted for and transferred from our billing system to our general ledger; and
- Our account reconciliation processes did not properly identify and resolve the resulting discrepancies between our billing system and our general ledger.

As a result of these material weaknesses, our management concluded that our disclosure controls were not effective as of March 31, 2009. Effective in February 2010, our management has taken steps to remediate the issues that led to the restatement. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

(c) The risk factors presented below amend and restate the corresponding risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008.

Our financial condition and results of operations could be adversely affected if assets held in our Company sponsored pension plans suffer significant losses in market value.

We sponsor pension and post-retirement healthcare plans for certain employees. During the three months ended March 31, 2009, due to the weakening economic environment and distressed financial markets, we experienced actual losses on pension plan assets totaling 12.2%. Since the actuarial value of plan assets is dependent on the value of the assets held by each plan, further decline in the market value of such assets could have a detrimental impact on our pension plans and could result in us making additional contributions to these plans, as required under the Employee Retirement Income Security Act of 1974, as amended. Furthermore, if the third party trustee who holds these plan assets were to become insolvent, access to the plan assets could be limited, and we could be required to pay participant benefits from our assets. Such required contributions could have a negative impact on our financial condition and results of operations.

We will be exposed to risks relating to evaluations of internal control systems required by Section 404 of the Sarbanes-Oxley Act.

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act and the related rules and regulations of the SEC, including accelerated reporting requirements and expanded disclosures regarding evaluations of internal control systems. We are also required to furnish a report by our management each year on our internal control over financial reporting. With respect to internal control over financial reporting, standards established by the Public Company Accounting Oversight Board define a material weakness as a deficiency in internal controls over financial reporting that results in a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. If our management identifies one or more material weaknesses in internal control over financial reporting in the future in accordance with the annual assessments and quarterly evaluations required by the Sarbanes-Oxley Act, we will be unable to assert that our internal controls are effective which could result in sanctions or investigation by regulatory authorities. In addition, any such material weakness could result in material misstatements in our financial statements and cause investors to lose confidence in our reported financial information.

We note that we have identified material weaknesses in our internal controls over financial reporting which existed as of March 31, 2009, which material weaknesses are discussed in greater detail in "Part I—Item 4. Controls and Procedures" and "*—We have identified material weaknesses in our internal controls over financial reporting which existed as of March 31, 2009. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.*"

There have been no other material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

We did not sell any unregistered equity securities during the quarter ended March 31, 2009.

Restrictions on Payment of Dividends

Delaware Law

Under Delaware law, our board of directors may declare dividends only to the extent of our "surplus" (which is defined as total assets at fair market value minus total liabilities, minus statutory capital) or, if there is no surplus, out of our net profits for the then current and/or immediately preceding fiscal year.

Credit Facility

Our credit facility restricts our ability to declare and pay dividends on our common stock as follows:

- We may not in general pay dividends in excess of the amount of our Cumulative Distributable Cash. "Cumulative Distributable Cash" is defined in our credit facility as the amount of Available Cash generated beginning on the first day of the first full fiscal quarter ending after the closing date of the merger and ending on the last day of the last fiscal quarter for which a compliance certificate has been delivered, referred to as the Reference Period, (a) minus the aggregate amount of Restricted Payments (as defined in our credit facility) paid by us in cash during such Reference Period (other than excluded dividend payments, certain restricted payments permitted to be made under the agreement governing our credit facility and the payment of dividends by any of our subsidiaries to us), (b) minus the aggregate amount of

Investments (as defined in our credit facility) made by us during such Reference Period, (c) plus the aggregate amount of all cash and non-cash returns received from such Investments (not to exceed the amount originally invested). "Available Cash" is defined in our credit facility as an amount of cash equal to (a) the sum of (i) $40 million plus (ii) Adjusted Consolidated EBITDA, minus (b) the product of (i) 1.4 times (ii) Consolidated Interest Expense (as defined in our credit facility), minus (c) the cash cost of any extraordinary losses and any losses on asset sales (other than in the ordinary course of business), plus (d) the cash amount of any extraordinary gains, excluding any potential gains on repurchase of our bonds, and gains realized on asset sales (other than in the ordinary course of business). "Adjusted Consolidated EBITDA" is defined in our credit facility as Consolidated Net Income (as defined in our credit facility) (a) plus the following add-backs to the extent deducted from Consolidated Net Income: provision for income taxes; Consolidated Interest Expense (as defined in our credit facility); depreciation; amortization; losses on asset sales and other extraordinary losses; non-cash portion of any retirement or pension plan expense incurred; all one-time cash costs and expenses paid with respect to advisory services, financing sources and other advisors retained prior to the closing date with respect to the transaction; expenses incurred under the transition services agreement so long as such expenses are paid within 15 months after the closing date of the merger; any other non-cash charges accrued by us (except to the extent that any such charge will require a cash payment in a future period; the Acquisition Adjustment (as defined in our credit facility) for the Reference Period, (b) minus gains on asset sales and other extraordinary gains and all non-cash gains and income accrued by us.

- We may not pay dividends if: (a) a default or event of default under our credit facility has occurred and is continuing or would exist after giving effect to such payment; (b) our leverage ratio is greater than 5.00 to 1.00; (c) we do not have at least $25 million of cash on hand (including unutilized commitments under our revolver); and (d) we do not deliver an officer's certificate on the date of the proposed dividend payment certifying that the Cumulative Distributable Cash on such date exceeds the aggregate amount of the proposed dividend; provided that notwithstanding the foregoing restrictions, we are permitted to make regular quarterly dividends payable for the fiscal quarter in which the closing date of the merger occurs (which payment may be payable shortly after the closing date) and the first and second full fiscal quarters following the closing date of the merger so long as the aggregate amount of the dividend payments does not exceed $50 million.

Our credit facility also permits us to use Available Cash to repurchase shares of our capital stock, subject to the same conditions and the conditions in the Tax Sharing Agreement.

The Notes

The indenture governing the notes restricts our ability to pay dividends on our common stock as follows:

- so long as no default or event of default has occurred and is continuing under the indenture governing the notes and our consolidated leverage ratio (as defined in the indenture governing the notes) is less than 5.00 to 1.00 (after giving pro forma effect to such dividend payment), we may pay dividends in an amount not to exceed the sum of (i) our consolidated cash flow (as defined in the indenture governing the notes) for each fiscal quarter in which our consolidated leverage ratio is less than 5.00 to 1.00 less 1.6 times our consolidated interest expense (as defined in the indenture governing the notes) for each fiscal quarter in which our consolidated leverage ratio is less than 5.00 to 1.00 for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the issue date of the notes to the end of our most recently ended fiscal quarter for which internal financial statements are available, (ii) the net proceeds received by us since the issue date of the notes as a contribution to our common equity capital or from the issue or sale of our equity interests and (iii) the proceeds received from certain investments. Consolidated cash flow under the indenture is calculated in substantially the same manner as "Adjusted Consolidated EBITDA" is calculated under our credit facility.

The indenture also permits us to use the dividend basket to repurchase shares of our capital stock. In addition, the indenture governing the notes permits us to make certain restricted payments, which may include, among other things, the payment of dividends, in an amount not to exceed $40 million in the aggregate.

Regulatory Orders

The orders issued by the state regulatory authorities in Maine, New Hampshire and Vermont provide for the following dividend restrictions:

- restrictions on our ability to pay dividends if we are unable to satisfy specified financial ratio tests set forth in the orders;
- a requirement that we limit the cumulative amount of dividends on our common stock to not more than the cumulative adjusted free cash flow (as defined in the orders) generated by us after the closing of the merger; and
- a requirement that if on December 31, 2011, our ratio of total indebtedness to adjusted EBITDA is 3.6 or higher, then we will reduce our debt by $150 million by December 31, 2012, and if our debt is not reduced by $150 million by December 31, 2012, then we will suspend the payment of dividends until the debt under our credit facility is refinanced.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits (Restated).

The exhibits filed as part of this Quarterly Report are listed in the index to exhibits immediately preceding such exhibits, which index to exhibits is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized, and the undersigned also has signed this Quarterly Report in her capacity as the Registrant's Principal Financial Officer.

FAIRPOINT COMMUNICATIONS, INC.

Date: April 30, 2010

By: /s/ LISA R. HOOD

Name: Lisa R. Hood
Title: *Senior Vice President and Corporate Controller, Interim Chief Financial Officer*

Exhibit Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of January 15, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of April 20, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.3	Amendment No. 2 to the Agreement and Plan of Merger, dated as of June 28, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(2)
2.4	Amendment No. 3 to the Agreement and Plan of Merger, dated as of July 3, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(3)
2.5	Amendment No. 4 to the Agreement and Plan of Merger, dated as of November 16, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(4)
2.6	Amendment No. 5 to the Agreement and Plan of Merger, dated as of February 25, 2008, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(5)
2.7	Distribution Agreement, dated as of January 15, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.8	Amendment No. 1 to Distribution Agreement, dated as of March 30, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.9	Amendment No. 2 to Distribution Agreement, dated as of June 28, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.10	Amendment No. 3 to Distribution Agreement, dated as of July 3, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.11	Amendment No. 4 to Distribution Agreement, dated as of February 25, 2008, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(5)
2.12	Amendment No. 5 to the Distribution Agreement, dated as of March 31, 2008, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(6)
2.13	Transition Services Agreement, dated as of January 15, 2007, by and among Verizon Information Technologies LLC, Northern New England Telephone Operations Inc., Enhanced Communications of Northern New England Inc. and FairPoint.(1)
2.14	Amendment No. 1 to the Transition Services Agreement, dated as of March 31, 2008, by and among FairPoint, Northern New England Telephone Operations LLC, Enhanced Communications of Northern New England Inc. and Verizon Information Technologies LLC(6)
2.15	Master Services Agreement, dated as of January 15, 2007, by and between FairPoint and Capgemini U.S. LLC.(1)
2.16	Amendment No. 1 to Master Services Agreement, dated as of July 6, 2007, by and between FairPoint and Capgemini U.S. LLC.(3)
2.17	Amendment No. 2 to Master Services Agreement, dated as of February 25, 2008, by and between FairPoint and Capgemini U.S. LLC.(5)

Exhibit No.	Description
2.18	Letter Agreement, dated as of January 17, 2008, by and between FairPoint and Capgemini U.S. LLC.(7)
2.19	Amendment to Letter Agreement, dated as of February 28, 2008, by and between FairPoint and Capgemini U.S. LLC.(8)
2.20	Employee Matters Agreement, dated as of January 15, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.21	Tax Sharing Agreement, dated as of January 15, 2007, by and among FairPoint, Verizon Communications Inc. and Northern New England Spinco Inc.(9)
2.22	Partnership Interest Purchase Agreement, dated as of January 15, 2007, by and among Verizon Wireless of the East LP, Cellco Partnership d/b/a Verizon Wireless and Taconic Telephone Corp.(10)
2.23	Joinder Agreement, dated as of April 5, 2007, by and among Warwick Valley Telephone Company, Taconic Telephone Corp., Cellco Partnership d/b/a Verizon Wireless and Verizon Wireless of the East LP.(10)
2.24	Publishing Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.25	Branding Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.26	Non-Competition Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.27	Listing License Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.28	Intellectual Property Agreement, dated as of March 31, 2008, by and between FairPoint and Verizon Communications Inc.(6)
2.29	Transition Period Trademark License Agreement, dated as of March 31, 2008, by and between FairPoint and Verizon Communications Inc.(6)
2.30	Transition Agreement, dated as of January 30, 2009, by and among Verizon Communications Inc., Verizon New England Inc., Verizon Information Technologies LLC, FairPoint, Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Enhanced Communications of Northern New England Inc.(11)
3.1	Eighth Amended and Restated Certificate of Incorporation of FairPoint.(12)
3.2	Amended and Restated By Laws of FairPoint.(12)
4.1	Indenture, dated as of March 6, 2003, by and between FairPoint and The Bank of New York, relating to FairPoint's $225,000,000 11⅞% Senior Notes due 2010.(13)
4.2	Supplemental Indenture, dated as of January 20, 2005, by and between FairPoint and The Bank of New York, amending the Indenture dated as of March 6, 2003 between FairPoint and The Bank of New York.(12)
4.3	Form of Initial Senior Note due 2010.(13)
4.4	Form of Exchange Senior Note due 2010.(13)
4.5	Indenture, dated as of March 31, 2008, by and between Northern New England Spinco Inc. and U.S. Bank National Association.(6)

Exhibit No.	Description
4.6	First Supplemental Indenture, dated as of March 31, 2008, by and between FairPoint Communications, Inc. and U.S. Bank National Association.(6)
4.7	Registration Rights Agreement, dated as of March 31, 2008, by and among FairPoint Communications, Inc., Banc of America Securities LLC, Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated.(6)
4.8	Form of 13⅛% Senior Note due 2018 (included in Exhibit 4.6).(6)
10.1	Credit Agreement, dated as of March 31, 2008, by and among FairPoint, Northern New England Spinco Inc., Bank of America, N.A, as syndication agent, Morgan Stanley Senior Funding, Inc. and Deutsche Bank Securities Inc., as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent and lenders party thereto.(6)
10.2	Amendment, Waiver, Resignation and Appointment Agreement, dated as of January 21, 2009, by and among FairPoint, lenders party thereto, Lehman Commercial Paper Inc. and Bank of America, N.A.(14)
10.3	Subsidiary Guaranty, dated as of March 31, 2008, by and among FairPoint Broadband, Inc., MJD Ventures, Inc., MJD Services Corp., S T Enterprises, Ltd., FairPoint Carrier Services, Inc., FairPoint Logistics, Inc. and Lehman Commercial Paper Inc.(6)
10.4	Pledge Agreement, dated as of March 31, 2008, by and among FairPoint, MJD Ventures, Inc., MJD Services Corp., S T Enterprises, Ltd., FairPoint Carrier Services, Inc., FairPoint Broadband, Inc., FairPoint Logistics, Inc., Enhanced Communications of Northern New England, Inc., Utilities, Inc., C-R Communications, Inc., Comerco, Inc., GTC Communications, Inc., St. Joe Communications, Inc., Ravenswood Communications, Inc., Unite Communications Systems, Inc. and Lehman Commercial Paper Inc.(6)
10.5	Deposit Agreement, dated as of March 31, 2008, by and among Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Lehman Commercial Paper Inc.(6)
10.6	Amended and Restated Tax Sharing Agreement, dated as of November 9, 2000, by and among FairPoint and its Subsidiaries.(15)
10.7	Amended and Restated Employment Agreement, dated as of April 1, 2008, by and between FairPoint and Eugene B. Johnson.(16)
10.8	Change in Control and Severance Agreement, dated as of March 14, 2007, by and between FairPoint and Peter G. Nixon.(17)
10.9	Change in Control and Severance Agreement, dated as of March 14, 2007, by and between FairPoint and Shirley J. Linn.(17)
10.10	Change in Control and Severance Agreement, dated as of March 14, 2007, by and between FairPoint and Alfred C. Giammarino.(18)
10.11	FairPoint Amended and Restated 1998 Stock Incentive Plan.(19)
10.12	FairPoint Amended and Restated 2000 Employee Stock Incentive Plan.(20)
10.13	FairPoint 2005 Stock Incentive Plan.(11)
10.14	FairPoint Communications, Inc. 2008 Annual Incentive Plan.(21)
10.15	FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(21)
10.16	Nonqualified Deferred Compensation Adoption Agreement.(11)
10.17	Nonqualified Deferred Compensation Plan Document.(11)

Exhibit No.	Description
10.18	Form of February 2005 Restricted Stock Agreement.(22)
10.19	Form of Director Restricted Stock Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(23)
10.20	Form of Director Restricted Unit Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(23)
10.21	Form of Non-Director Restricted Stock Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(24)
10.22	Form of Non-Director Restricted Stock Agreement—FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(18)
10.23	Form of Performance Unit Award Agreement 2008 Award.(25)
10.24	Form of Performance Unit Award Agreement 2008-2009 Award (Performance Unit Award, dated as of April 1, 2008, by and between FairPoint and Eugene B. Johnson).(16)
10.25	Form of Performance Unit Award Agreement 2008-2010 Award.(21)
10.26	Form of Performance Unit Award Agreement 2009-2011 Award.(26)
10.27	Form of Director Restricted Unit Agreement—FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(26)
10.28	Stipulation filed with the Maine Public Utilities Commission, dated December 12, 2007.(27)
10.29	Amended Stipulation filed with the Maine Public Utilities Commission dated December 21, 2007(6)
10.30	Stipulation filed with the Vermont Public Service Board, dated January 8, 2008.(28)
10.31	Stipulation filed with the New Hampshire Public Utilities Commission, dated January 23, 2008.(7)
10.32	Letter Agreement, dated as of March 30, 2008, by and between the Staff of the New Hampshire Public Utilities Commission and Verizon Communications Inc.(6)
14.1	FairPoint Code of Business Conduct and Ethics.(29)
14.2	FairPoint Code of Ethics for Financial Professionals.(12)
21	Subsidiaries of FairPoint.(25)
31.1	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†
32.2	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†
99.1	Order of the Maine Public Utilities Commission, dated February 1, 2008.(30)
99.2	Order of the Vermont Public Service Board, dated February 15, 2008.(31)
99.3	Order of the New Hampshire Public Utilities Commission, dated February 25, 2008.(5)

* Filed herewith.

† Pursuant to Securities and Exchange Commission Release No. 33-8238, this certification will be treated as "accompanying" this Quarterly Report on Form 10-Q and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of Section 18 of the Securities Exchange Act of 1934 and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

(1) Incorporated by reference to the Registration Statement on Form S-4 of FairPoint, declared effective as of July 16, 2007.

(2) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 28, 2007.

(3) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on July 9, 2007.

(4) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on November 16, 2007.

(5) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 27, 2008.

(6) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 3, 2008.

(7) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 24, 2008.

(8) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2007.

(9) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 19, 2007.

(10) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 10, 2007.

(11) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2008.

(12) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2004.

(13) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2002.

(14) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 22, 2009.

(15) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended September 30, 2000.

(16) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 1, 2008.

(17) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on March 19, 2007.

(18) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended September 30, 2008.

(19) Incorporated by reference to the Registration Statement on Form S-4 of FairPoint, declared effective as of August 9, 2000.

(20) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2003.

(21) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 23, 2008.

(22) Incorporated by reference to the Registration Statement on Form S-1 of FairPoint, declared effective as of February 3, 2005.

(23) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 20, 2005.

(24) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on September 23, 2005.

(25) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended March 31, 2008.

(26) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on March 9, 2009.

(27) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on December 13, 2007.

(28) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 8, 2008.

(29) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2005.

(30) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 6, 2008.

(31) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 21, 2008.

Exhibit 31.1

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. Hauser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (i) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (ii) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (iii) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   (iv) disclosed in this Quarterly Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2010

/s/ DAVID L. HAUSER

David L. Hauser
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lisa R. Hood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (i) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (ii) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (iii) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   (iv) disclosed in this Quarterly Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(iii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2010

/s/ LISA R. HOOD

Lisa R. Hood
Interim Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company") for the quarter ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Hauser, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID L. HAUSER

David L. Hauser
Chief Executive Officer

April 30, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company") for the quarter ended March 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lisa R. Hood, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LISA R. HOOD

Lisa R. Hood
Interim Chief Financial Officer

April 30, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT LH-2

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009.

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 333-56365

FairPoint Communications, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**13-3725229** (I.R.S. Employer Identification No.)
521 East Morehead Street, Suite 500 **Charlotte, North Carolina** (Address of Principal Executive Offices)	**28202** (Zip Code)

(704) 344-8150
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and"smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 31, 2009, there were 90,020,657 shares of the Registrant's common stock, par value $0.01 per share, outstanding.

Documents incorporated by reference: **None**

EXPLANATORY NOTE

FairPoint Communications, Inc. (the "Company") is filing this Amendment No. 1 on Form 10-Q/A (this "Amendment No. 1") to reflect the effect of an accounting error, a one-time non-operating loss related to a disputed claim, and certain billing and other adjustments. On February 23, 2010 the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission (the "SEC") describing such accounting errors and certain billing adjustments. The accounting error and the billing and other adjustments resulted in an overstatement of revenue for the three and six months ended June 30, 2009 of $14.8 million and $27.2 million, respectively, an understatement of operating expenses for the three and six months ended June 30, 2009 of $2.0 million and $2.1 million, respectively, and an overstatement of other income for the six months ended June 30, 2009 of $9.6 million, in each case as reported in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, which was originally filed with the SEC on August 5, 2009 (the "Original Filing"). The restatement of the interim condensed consolidated financial statements contained in this Amendment No. 1 (the "restatement"), which restatement accounts for the foregoing overstatements and understatements, resulted in a reduction in net income of $10.3 million and $23.9 million, net of income taxes, for the three and six months ended June 30, 2009, respectively. In addition, as a result of the restatement, the Company was not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under its credit facility (as defined herein) for the measurement period ended June 30, 2009, which constituted an event of default under the credit facility and the Company's interest rate swap agreements and may have constituted an event of default under the notes (as defined herein). As such, the Company has classified its obligations under these debt instruments as current liabilities as of June 30, 2009. The restatement is discussed in more detail in note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 1.

For ease of reference, this Amendment No. 1 amends and restates the Original Filing in its entirety. However, "Part I—Item 1. Financial Statements," "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," "Part I—Item 4. Controls and Procedures," "Part II—Item 1A. Risk Factors, Part II—Item 3. Defaults Upon Senior Securities" and "Part II—Item 6. Exhibits" are the only sections in which revisions to the Original Filing have been made. In addition, as required by Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, the Company's principal executive officer and principal financial officer have provided new Rule 13a-14(a) certifications and Section 1350 certifications in connection with this Amendment No. 1.

The information in this Amendment No. 1 that is not affected by the restatement of the interim condensed consolidated financial statements from the Original Filing remains unchanged and reflects the disclosure at the time of the Original Filing. Therefore, this Amendment No. 1 should be read in conjunction with the Company's other filings made with the SEC subsequent to the Original Filing.

INDEX

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Restated)	
	Condensed Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008	6
	Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2009 and 2008	7
	Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the six months ended June 30, 2009	8
	Condensed Consolidated Statements of Comprehensive (Loss) Income for the three and six months ended June 30, 2009 and 2008	9
	Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2009 and 2008	10
	Notes to Condensed Consolidated Financial Statements	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)	42
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	63
Item 4.	Controls and Procedures (Restated)	64
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	66
Item 1A.	Risk Factors (Restated)	66
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	68
Item 3.	Defaults Upon Senior Securities (Restated)	68
Item 4.	Submission of Matters to a Vote of Security Holders	68
Item 5.	Other Information	69
Item 6.	Exhibits (Restated)	69
	Signatures	70

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Quarterly Report are known as "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements may relate to, among other things:

- our ability to restructure our capital structure;
- future performance generally;
- sources and uses of liquidity;
- restrictions imposed by the agreements governing our indebtedness;
- our ability to satisfy certain financial covenants included in the agreements governing our indebtedness;
- anticipated business development activities and future capital expenditures;
- financing sources and availability, and future interest expense;
- our ability to refinance our indebtedness on commercially reasonable terms, if at all;
- the effects of regulation, including restrictions and obligations imposed by federal and state regulators as a condition to the approval of the merger (as defined herein);
- our dividend policy and expectations regarding dividend payments;
- material adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial or operational impact, in the markets we serve;
- availability of net operating loss carryforwards to offset anticipated tax liabilities;
- our ability to meet obligations to our company sponsored pension plans;
- our ability to remediate material weaknesses in our internal controls over financial reporting;
- material technological developments and changes in the communications industry, including disruption of our suppliers' provisioning of critical products or services;
- use by customers of alternative technologies;
- availability and levels of regulatory support payments;
- the effects of competition on the markets we serve; and
- changes in accounting assumptions that regulatory agencies, including the Securities and Exchange Commission, referred to as the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings.

These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this Quarterly Report that are not historical facts. When used in this Quarterly Report, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed in this Quarterly

Report and in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008 and "Part II—Item 1A. Risk Factors" contained in this Quarterly Report. You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date on which this Quarterly Report was filed with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent periodic reports filed with the SEC on Forms 10-K, 10-Q and 8-K and Schedule 14A.

Except as otherwise required by the context, references in this Quarterly Report to:

- *"FairPoint," the "Company," "our company," "we," "us" or "our" refer to the combined business of FairPoint Communications, Inc. and all of its subsidiaries after giving effect to the merger on March 31, 2008 with Northern New England Spinco Inc. ("Spinco"), a subsidiary of Verizon Communications Inc. ("Verizon"), which transaction is referred to herein as the "merger";*
- *"Northern New England operations" refers to the local exchange business acquired from Verizon and all of its subsidiaries after giving effect to the merger;*
- *"Legacy FairPoint" refers to FairPoint Communications, Inc. exclusive of our acquired Northern New England operations; and*
- *"Verizon Northern New England business" refers to the local exchange business of Verizon New England Inc. ("Verizon New England") in Maine, New Hampshire and Vermont and the customers of Verizon and its subsidiaries' (other than Cellco Partnership) (collectively, the "Verizon Group") related long distance and Internet service provider business in those states prior to the merger.*

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

June 30, 2009 and December 31, 2008

(in thousands, except share data)

	June 30, 2009 (Unaudited) Restated	December 31, 2008
Assets		
Current assets:		
Cash	$ 80,964	$ 70,325
Restricted cash	1,981	8,144
Accounts receivable, net	152,269	173,589
Materials and supplies	36,871	38,694
Other	30,268	28,747
Deferred income tax, net	39,246	31,418
Total current assets	**341,599**	**350,917**
Property, plant and equipment, net	1,995,692	2,013,515
Intangibles assets, net	223,105	234,481
Prepaid pension asset	9,741	8,708
Debt issue costs, net	23,617	26,047
Restricted cash	1,378	60,359
Other assets	16,432	21,094
Goodwill	595,120	619,372
Total assets	**$3,206,684**	**$3,334,493**
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Current portion of long term debt	$2,488,647	$ 45,000
Current portion of capital lease obligations	2,046	2,231
Accounts payable	158,863	147,778
Dividends payable	—	23,008
Accrued interest payable in cash	3,834	18,844
Accrued interest payable in kind	14,423	—
Interest rate swaps	62,824	41,274
Other non-operating accrued liability	—	19,000
Other accrued liabilities	68,234	70,887
Total current liabilities	**2,798,871**	**368,022**
Long term liabilities:		
Capital lease obligations	6,584	7,522
Accrued pension obligation	49,507	46,801
Employee benefit obligations	239,152	225,840
Deferred income taxes	112,137	154,757
Unamortized investment tax credits	5,068	5,339
Other long term liabilities	18,006	35,492
Long term debt, net of current portion	—	2,425,253
Interest rate swap agreements	—	41,681
Total long-term liabilities	**430,454**	**2,942,685**
Stockholders' equity (deficit):		
Common stock, $0.01 par value, 200,000,000 shares authorized; 89,496,847 and 88,995,572 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively	895	890
Additional paid-in capital	736,469	735,719
Retained deficit	(628,787)	(578,319)
Accumulated other comprehensive loss	(131,218)	(134,504)
Total stockholders' equity (deficit)	**(22,641)**	**23,786**
Total liabilities and stockholders' equity (deficit)	**$3,206,684**	**$3,334,493**

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

Three and six months ended June 30, 2009 and 2008

(Unaudited)

(in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
	Restated		Restated	
Revenues	**$284,762**	**$344,690**	**$ 584,060**	**$627,104**
Operating expenses:				
Cost of services and sales, excluding depreciation and amortization	123,003	133,900	268,266	269,737
Selling, general and administrative expense, excluding depreciation and amortization	99,449	102,290	191,861	165,406
Depreciation and amortization	68,860	69,741	136,727	123,666
Total operating expenses	**291,312**	**305,931**	**596,854**	**558,809**
Income (loss) from operations	**(6,550)**	**38,759**	**(12,794)**	**68,295**
Other income (expense):				
Interest expense	(54,809)	(45,123)	(108,288)	(59,645)
Gain on derivative instruments	7,233	43,123	20,131	43,123
Gain on early retirement of debt	7,494	—	12,357	—
Other	(58)	264	6,219	1,250
Total other expense	(40,140)	(1,736)	(69,581)	(15,272)
Income (loss) before income taxes	(46,690)	37,023	(82,375)	53,023
Income tax (expense) benefit	18,527	(13,909)	31,907	(20,366)
Net income (loss)	**$ (28,163)**	**$ 23,114**	**$ (50,468)**	**$ 32,657**
Weighted average shares outstanding:				
Basic	89,364	88,725	89,168	62,077
Diluted	89,364	89,190	89,168	62,483
Earnings per share:				
Basic	$ (0.32)	$ 0.26	$ (0.57)	$ 0.53
Diluted	(0.32)	0.26	(0.57)	0.52

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Deficit)

Six months ended June 30, 2009

(Unaudited)

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Retained deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity (deficit)
Balance at December 31, 2008	88,996	$890	$735,719	$(578,319)	$(134,504)	$ 23,786
Net loss (restated)	—	—	—	(50,468)	—	(50,468)
Issuance of 2008 Interim Awards	502	5	(5)	—	—	—
Forfeiture of restricted shares	(1)	—	—	—	—	—
Stock based compensation expense	—	—	755	—	—	755
Employee benefit adjustment to comprehensive income	—	—	—	—	3,286	3,286
Balance at June 30, 2009 (restated)	89,497	$895	$736,469	$(628,787)	$(131,218)	$(22,641)

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive (Loss) Income

Three and six months ended June 30, 2009 and 2008

(Unaudited)

(in thousands, except per share data)

	Three Months ended June 30,		Six Months ended June 30,	
	2009	2008	2009	2008
Net (loss) income (restated)	**$(28,163)**	**$23,114**	**$(50,468)**	**$32,657**
Other comprehensive income, net of taxes:				
Defined benefit pension and post-retirement plans (net of $1.2 million and $2.1 million taxes, respectively)	1,930	—	3,286	—
Total other comprehensive income	**1,930**	—	**3,286**	—
Comprehensive (loss) income (restated)	**$(26,233)**	**$23,114**	**$(47,182)**	**$32,657**

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Six months ended June 30, 2009 and 2008

(Unaudited)

(in thousands)

	Six months ended June 30, 2009 Restated	Six months ended June 30, 2008
Cash flows from operating activities:		
Net (loss) income	$(50,468)	$ 32,657
Adjustments to reconcile net income to net cash provided by operating activities excluding impact of acquisitions:		
Deferred income taxes	(34,022)	24,489
Provision for uncollectible revenue	15,777	7,543
Depreciation and amortization	136,727	123,666
Non-cash interest expense	14,423	—
SFAS 106 post-retirement accruals	15,908	29,103
Gain on derivative instruments	(20,131)	(43,123)
Gain on early retirement of debt, net of cash fees	(12,477)	—
Other non-cash items	6,429	(26,406)
Changes in assets and liabilities arising from operations:		
Accounts receivable	7,725	(24,287)
Prepaid and other assets	(3,350)	(40,750)
Accounts payable and other accrued liabilities	(31,286)	(38,965)
Accrued interest payable	(15,011)	18,476
Other assets and liabilities, net	(2,585)	4,113
Other	—	(16,221)
Total adjustments	78,127	17,638
Net cash provided by operating activities	27,659	50,295
Cash flows from investing activities:		
Acquired cash balance, net	—	11,552
Net capital additions	(90,081)	(98,348)
Net proceeds from sales of investments and other assets	1,230	235
Net cash used in investing activities	(88,851)	(86,561)
Cash flows from financing activities:		
Loan origination costs	(521)	(29,238)
Proceeds from issuance of long term debt	50,000	1,676,000
Repayments of long term debt	(18,673)	(687,491)
Contributions from Verizon	—	344,629
Restricted cash	65,143	(80,886)
Repayment of capital lease obligations	(1,122)	(1,637)
Dividends paid to stockholders	(22,996)	(1,173,961)
Net cash provided by financing activities	71,831	47,416
Net increase in cash	10,639	11,150
Cash, beginning of period	70,325	—
Cash, end of period	$ 80,964	$ 11,150
Supplemental disclosure of cash flow information:		
Non-cash equity consideration	—	316,290
Non-cash issuance of senior notes	—	551,000

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited)

(1) Restatement of Financial Statements

The Company is restating its previously issued interim consolidated financial statements included in the Original Filing to reflect the effect of an accounting error resulting from a deficiency in the transfer of certain known customer billing adjustments from the Company's billing platform to its general ledger, a one-time non-operating loss related to a disputed claim, as well as certain other adjustments. This error and these adjustments resulted in an overstatement of revenue for the three and six months ended June 30, 2009 of $14.8 million and $27.2 million, respectively, an understatement of operating expenses for the three and six months ended June 30, 2009 of $2.0 million and $2.1 million, respectively, and an overstatement of other income for the six months ended June 30, 2009 of $9.6 million, in each case as reported in the Original Filing. The restatement of the interim condensed consolidated financial statements contained in this Amendment No. 1, which restatement accounts for the foregoing overstatements and understatements, resulted in a reduction in net income of $10.3 million and $23.9 million, net of income taxes, for the three and six months ended June 30, 2009, respectively.

As a result of the restatement, the Company was not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under its credit facility (as defined in note 3(l) to the condensed consolidated financial statements) for the measurement period ended June 30, 2009. Failure to comply with this covenant constitutes an event of default under the credit facility, which permits the lenders to accelerate the maturity of loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to the Company. In addition, the occurrence of an event of default under the credit facility constitutes an event of default under the Company's interest rate swap agreements and such defaults under the credit facility and interest rate swap agreements may constitute an event of default under the notes (as defined in note 6 to the condensed consolidated financial statements), in each case at June 30, 2009. As such, the Company has classified its obligations under the credit facility, the interest rate swap agreements and the notes as current liabilities as of June 30, 2009.

On October 26, 2009 FairPoint Communications and all of its direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York. The cases are being jointly administered under the caption *In re FairPoint Communications, Inc.*, Case No. 09-16335.

(1) Restatement of Financial Statements (Continued)

The revisions applied to the affected individual line items in the interim condensed consolidated financial statements are summarized as follows:

Condensed Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2009	
	As previously reported	As restated
Assets		
Accounts receivable, net	190,551	152,269
Deferred income tax, net	29,241	39,246
Total current assets	369,876	341,599
Property, plant, and equipment, net	1,996,335	1,995,692
Total assets	3,235,604	3,206,684
Liabilities and Stockholders' Equity (Deficit)		
Current portion of long term debt	45,000	2,488,647
Accrued interest payable in kind	—	14,423
Interest rate swaps	43,438	62,824
Total current liabilities	321,415	2,798,871
Deferred income taxes	117,184	112,137
Accrued interest payable in kind	14,423	—
Long term debt, net of current portion	2,443,647	—
Interest rate swap agreements	19,386	—
Total long-term liabilities	2,912,957	430,454
Retained deficit	(604,914)	(628,787)
Total stockholders' equity (deficit)	1,232	(22,641)
Total liabilities and stockholders' equity (deficit)	3,235,604	3,206,684

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Restatement of Financial Statements (Continued)

Condensed Consolidated Statements of Operations
(in thousands, except per share data)

	Three months ended June 30, 2009		Six months ended June 30, 2009	
	As previously reported	As restated	As previously reported	As restated
Revenues	299,611	284,762	611,241	584,060
Cost of services and sales, excluding depreciation and amortization	122,707	123,003	267,854	268,266
Selling, general and administrative expense, excluding depreciation and amortization	97,986	99,449	190,398	191,861
Depreciation and amortization	68,629	68,860	136,496	136,727
Total operating expenses	289,322	291,312	594,748	596,854
Income (loss) from operations	10,289	(6,550)	16,493	(12,794)
Other	(58)	(58)	15,857	6,219
Total other expense	(40,140)	(40,140)	(59,943)	(69,581)
Income (loss) before income taxes	(29,851)	(46,690)	(43,450)	(82,375)
Income tax (expense) benefit	12,033	18,527	16,855	31,907
Net loss	(17,818)	(28,163)	(26,595)	(50,468)
Earnings per share, basic	(0.20)	(0.32)	(0.30)	(0.57)
Earnings per share, diluted	(0.20)	(0.32)	(0.30)	(0.57)

Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands)

	Six months ended June 30, 2009	
	As previously reported	As restated
Net loss	(26,595)	(50,468)
Retained deficit	(604,914)	(628,787)
Total stockholders' equity (deficit)	1,232	(22,641)

Consolidated Statements of Comprehensive (Loss) Income
(in thousands)

	Three months ended June 30, 2009		Six months ended June 30, 2009	
	As previously reported	As restated	As previously reported	As restated
Net loss	(17,818)	(28,163)	(26,595)	(50,468)
Comprehensive loss	(15,888)	(26,233)	(23,309)	(47,182)

(1) Restatement of Financial Statements (Continued)

Consolidated Statements of Cash Flow
(in thousands)

	Six months ended June 30, 2009	
	As previously reported	As restated
Net loss	(26,595)	(50,468)
Deferred income taxes	(18,970)	(34,022)
Provision for uncollectible revenue	14,314	15,777
Depreciation and amortization	136,496	136,727
Accounts receivable	(29,094)	7,725
Total adjustments	54,666	78,127
Net cash provided by operating activities	28,071	27,659
Net capital additions	(90,493)	(90,081)
Net cash used in investing activities	(89,263)	(88,851)

(2) Organization and Basis of Financial Reporting

FairPoint is a leading provider of communications services in rural and small urban communities, primarily in northern New England, offering an array of services, including local and long distance voice, data, Internet and broadband product offerings, to both residential and business customers. FairPoint is the seventh largest telephone company in the United States based on the number of access lines as of June 30, 2009. FairPoint operates in 18 states with approximately 1.7 million access line equivalents (including voice access lines and high speed data lines, which include DSL, wireless broadband, cable modem and fiber-to-the-premises) as of June 30, 2009.

On March 31, 2008, FairPoint completed the acquisition of Spinco, pursuant to which Spinco merged with and into FairPoint, with FairPoint continuing as the surviving corporation for legal purposes. Spinco was a wholly-owned subsidiary of Verizon and prior to the merger the Verizon Group transferred certain specified assets and liabilities of the local exchange businesses of Verizon New England in Maine, New Hampshire and Vermont and the customers of the related long distance and Internet service provider businesses in those states to subsidiaries of Spinco. The merger was accounted for as a "reverse acquisition" of Legacy FairPoint by Spinco under the purchase method of accounting because Verizon stockholders owned a majority of the shares of the consolidated Company following the merger and, therefore, Spinco is treated as the acquirer for accounting purposes. The financial statements reflect the transaction as if Spinco had issued consideration to FairPoint stockholders. As a result, for the six months ended June 30, 2008, the statement of operations and the financial information derived from the statement of operations in this Quarterly Report reflect the consolidated financial results of the Company by including the financial results of the Verizon Northern New England business for the three months ended March 31, 2008 and the combined financial results of Spinco and Legacy FairPoint for the three months ended June 30, 2008.

In order to effect the merger described above, the Company issued 53,760,623 shares to Verizon stockholders for their interest in Spinco. Accordingly, the number of common shares outstanding, par value, paid in capital and per share information included herein has been retroactively restated to give effect to the merger.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited) (Continued)

(2) Organization and Basis of Financial Reporting (Continued)

Historical Verizon Northern New England business

The Verizon Northern New England business, prior to the merger, was comprised of carved-out components from each of Verizon New England, NYNEX Long Distance Company and Bell Atlantic Communications, referred to as VLD, Verizon Internet Services Inc. and GTE.Net LLC, referred to as VOL, and Verizon Select Services Inc., referred to as VSSI, collectively referred to as the Verizon Companies.

Prior to the merger, financial statements were not prepared for the Verizon Northern New England business, as it was not operated as a separate business. The Verizon Northern New England business financial statements for all periods prior to the merger have been prepared in accordance with U.S. generally accepted accounting principles using specific information where available and allocations where data was not maintained on a state-specific basis within the Verizon Northern New England business' books and records.

The Verizon Northern New England business financial statements for all periods prior to the merger include the wireline-related businesses, Internet access, long distance and customer premises equipment services provided by the Verizon Northern New England business to customers in the states of Maine, New Hampshire and Vermont. All significant intercompany transactions have been eliminated. The financial statements prior to the merger also include the assets, liabilities and expenses related to employees who supported the Verizon Northern New England business, some of whom remained employees of the Verizon Northern New England business following the acquisition of the Verizon Northern New England business by FairPoint rather than becoming employees of FairPoint.

The preparation of financial information related to Verizon New England's, VLD's, VOL's and VSSI's operations in the states of Maine, New Hampshire and Vermont, which are included in the balance sheet and statements of operations of the Verizon Northern New England business for all periods prior to the merger, was based on the following:

Verizon New England: For the balance sheet, property, plant and equipment, accumulated depreciation, intangible assets, materials and supplies and certain other assets and liabilities were determined based upon state specific records; accounts receivable were allocated based upon applicable billing system data; short term investments, prepaid pension assets, accrued payroll related liabilities and employee benefit obligations were allocated based on employee headcount; and accounts payable were allocated based upon applicable operating expenses. The remaining assets and liabilities were primarily allocated based upon the percentage of the Verizon Northern New England business revenues, operating expenses and headcount to the total revenues, operating expenses and headcount of Verizon New England. For the statements of operations, operating revenues and operating expenses were based on state specific records.

VLD: For the balance sheet, receivables were allocated based on the applicable operating revenues and accounts payable were allocated based on applicable operating expenses. For the statements of operations, operating revenues were determined using applicable billing system data; cost of services and sales and selling, general and administrative expenses were allocated based on the percentage of the Verizon Northern New England business revenues related to the VLD component to the total VLD revenues applied to operating expenses for total VLD.

VOL: For the balance sheet, receivables were allocated based on applicable operating revenues; other current assets were determined using applicable billing system data; accounts payable were

(2) Organization and Basis of Financial Reporting (Continued)

allocated based on the applicable operating expenses; and other current liabilities, which consisted of advanced billings, were allocated based on applicable operating revenues. For the statements of operations, operating revenues were determined using applicable billing system data and average access lines in service; cost of services and sales, selling, general and administrative expenses and interest expense were allocated based on the percentage of the Verizon Northern New England business revenues related to the VOL component to the total VOL revenues applied to operating expenses and interest expense for total VOL.

VSSI: For the balance sheet, receivables were allocated based on the applicable operating revenues and accounts payable were allocated based on applicable operating expenses. For the statements of operations, operating revenues were identified using applicable system data; cost of services and sales and selling, general and administrative expenses were allocated based on the percentage of the Verizon Northern New England business revenues related to the VSSI component to the total VSSI revenues applied to operating expenses for total VSSI.

Management believes the allocations used to determine selected amounts in the financial statements are appropriate methods to reasonably reflect the related assets, liabilities, revenues and expenses of the Verizon Northern New England business for periods prior to the merger.

(3) Accounting Policies

(a) Use of Estimates

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP, which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Examples of significant estimates include the allowance for doubtful accounts, the recoverability of plant, property and equipment, pension and post-retirement benefit assumptions, purchase price allocation for the acquisition of Legacy FairPoint and income taxes. In addition, estimates were made to determine the allocations used in preparing the historical combined financial statements as described above.

(b) Revenue Recognition

Revenues are recognized as services are rendered and are primarily derived from the usage of the Company's networks and facilities or under revenue-sharing arrangements with other communications carriers. Revenues are primarily derived from: access, pooling, local calling services, Universal Service Fund receipts, long distance services, Internet and broadband services, and other miscellaneous services. Local access charges are billed to local end users under tariffs approved by each state's public utilities commission. Access revenues are derived for the intrastate jurisdiction by billing access charges to interexchange carriers and to other local exchange carriers. These charges are billed based on toll or access tariffs approved by the local state's public utilities commission. Access charges for the interstate jurisdiction are billed in accordance with tariffs filed by the National Exchange Carrier Association or by the individual company and approved by the Federal Communications Commission (the "FCC").

Revenues are determined on a bill-and-keep basis or a pooling basis. If on a bill-and-keep basis, the Company bills the charges to either the access provider or the end user and keeps the revenue. If the Company participates in a pooling environment (interstate or intrastate), the toll or access billed is

(3) Accounting Policies (Continued)

contributed to a revenue pool. The revenue is then distributed to individual companies based on their company-specific revenue requirement. This distribution is based on individual state public utilities commissions' rates for intrastate revenues or the FCC's approved separation rules and rates of return for interstate revenues. Distribution from these pools can change relative to changes made to expenses, plant investment, or rate of return. Some companies participate in federal and certain state universal service programs that are pooling in nature but are regulated by rules separate from those described above. These rules vary by state. Revenues earned through the various pooling arrangements are initially recorded based on the Company's estimates.

Long distance retail and wholesale services are usage sensitive and are billed in arrears and recognized when earned. Internet and data services revenues are substantially all recurring revenues and are billed one month in advance and deferred until earned. The majority of the Company's miscellaneous revenue is provided from billing and collection and directory services. The Company earns revenue from billing and collecting charges for toll calls on behalf of interexchange carriers. The interexchange carrier pays a certain rate per each minute billed by the Company. The Company recognizes revenue from billing and collection services when the services are provided.

Internet and broadband services and certain other services are recognized in the month the service is provided.

Non-recurring customer activation fees, along with the related costs up to, but not exceeding the activation fees, are deferred and amortized over the customer relationship period.

(c) Maintenance and Repairs

The cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, is charged primarily to cost of services and sales as these costs are incurred.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(e) Restricted Cash

As of March 31, 2008, the closing date of the merger, the Company had $80.9 million of restricted cash. Pursuant to the regulatory orders issued in connection with the merger, the Company is required to use these funds to (i) pay for the removal of double poles in Vermont, which is estimated to cost $6.7 million, (ii) pay for certain service quality improvements under a performance enhancement plan in Vermont totaling $25.0 million, and (iii) pay for network improvements in New Hampshire totaling $49.2 million (the "New Hampshire funds"). During the three months ended June 30, 2009, the Company requested that the New Hampshire funds be made available for general working capital purposes. By letter, dated as of May 12, 2009, the New Hampshire Public Utilities Commission (the "NHPUC") approved the Company's request, conditioned upon the Company's commitment to invest funds on certain NHPUC approved network improvements in New Hampshire on the following schedule: $15 million by the end of 2010, an additional $20 million by the end of 2011 and an additional $30 million by the end of 2012. This investment commitment is inclusive of the $50 million previously required by the NHPUC.

(3) Accounting Policies (Continued)

As of June 30, 2009, the Company had released $78.5 million of the restricted cash, including $1.5 million in interest earned on such restricted cash, for approved expenditures under the required projects and had forfeited an additional $0.5 million to the Vermont Public Service Board due to an inability to spend the full $12.5 million allocated for such projects in the 2008 calendar year.

As of June 30, 2009, the Company had $3.4 million of restricted cash of which $2.0 million is shown in current assets and $1.4 million is shown as a non-current asset on the condensed consolidated balance sheet.

(f) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. Receivable balances are reviewed on an aged basis and account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(g) Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The Company places its cash with high-quality financial institutions. Concentrations of credit risk with respect to trade receivables are principally related to receivables from other interexchange carriers and are otherwise limited to the Company's large number of customers in several states.

The Company sponsors pension and post-retirement healthcare plans for certain employees. Plan assets are held by a third party trustee. The Company's plans hold debt and equity securities for investment purposes. The value of these plan assets is dependent on the financial condition of those entities issuing the debt and equity securities. A significant decline in the fair value of plan assets could result in additional contributions to the plans by the Company in order to meet funding requirements under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

As a result of interest rate swap agreements, as of June 30, 2009, approximately 76% of the Company's indebtedness effectively bore interest at fixed rates rather than variable rates. The Company's ability to hedge its interest rate risk is dependent on the solvency of those banks with whom the Company enters into swap agreements.

(h) Materials and Supplies

Materials and supplies include new and reusable supplies and network equipment, which are stated principally at average original cost, except that specific costs are used in the case of large individual items.

(i) Property, Plant, and Equipment

Property, plant and equipment is recorded at cost. Depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, property and equipment less

(3) Accounting Policies (Continued)

anticipated positive net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

At June 30, 2009 and December 31, 2008, accumulated depreciation for property, plant and equipment was $4.1 billion and $4.0 billion, respectively.

The estimated asset lives used are presented in the following table:

Average Lives	Years
Buildings	45
Central office equipment	5–11
Outside communications plant	
Copper cable	15–18
Fiber cable	25
Poles and conduit	30–50
Furniture, vehicles and other	3–15

The Company believes that current estimated useful asset lives are reasonable. Such useful lives are subject to regular review and analysis. In the evaluation of asset lives, multiple factors are considered, including, but not limited to, the ongoing network deployment, technology upgrades and enhancements, planned retirements and the adequacy of reserves.

When depreciable telephone plant used in the Company's wireline network is replaced or retired, the carrying amount of such plant is deducted from the respective accounts and charged to accumulated depreciation. No gain or loss is recognized on disposition of assets.

Network software purchased or developed in connection with related plant assets is capitalized. The Company also capitalizes interest associated with the acquisition or construction of network related assets. Capitalized interest is reported as part of the cost of the network related assets and as a reduction in interest expense.

(j) Long-Lived Assets

Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS No. 144"). Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, by which the carrying value of the asset exceeds its fair value.

(k) Computer Software and Interest Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal use software which has a useful life in excess of one year in accordance with American Institute of Certified Public Accountants Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* ("SOP 98-1"). Capitalized costs include direct development costs associated with internal use software, including direct labor costs and external costs of materials and services.

(3) Accounting Policies (Continued)

Subsequent additions, modifications or upgrades to internal use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred.

In addition, the Company capitalizes the interest cost associated with the period of time over which the Company's internal use software is developed or obtained in accordance with Financial Accounting Standard No. 34, *Capitalization of Interest Cost* ("FAS 34").

On January 15, 2007, FairPoint entered into the Master Services Agreement (the "MSA"), with Capgemini U.S. LLC. Through the MSA, the Company replicated and/or replaced certain existing Verizon systems during a phased period through January 2009. As of June 30, 2009, the Company had completed the application development stage of the project and was no longer capitalizing costs in accordance with SOP 98-1. The Company has recognized both external and internal service costs associated with the MSA based on total labor incurred through the completion of the application development stage. As of June 30, 2009, the Company had capitalized $106.9 million of MSA costs under SOP 98-1 and an additional $6.9 million of interest costs under FAS 34.

In addition to the MSA, the Company has other agreements and projects for which costs are capitalized in accordance with SOP 98-1 and FAS 34. During the three and six months ended June 30, 2009, the Company capitalized $6.6 million and $11.5 million, respectively, in software costs in addition to those capitalized under the MSA. During the three and six months ended June 30, 2009, the Company capitalized $0.5 million in interest costs in addition to those capitalized under the MSA.

(l) Debt Issue Costs

On March 31, 2008, immediately prior to the merger, Legacy FairPoint and Spinco entered into a $2,030.0 million senior secured credit facility (the "credit facility"), consisting of a non-amortizing revolving facility in an aggregate principal amount of $200.0 million (the "revolver"), a senior secured term loan A facility in an aggregate principal amount of $500.0 million (the "term loan A facility"), a senior secured term loan B facility in the aggregate principal amount of $1,130.0 million (the "term loan B facility", and together with the term loan A facility, the "term loan"), and a delayed draw term loan facility in an aggregate principal amount of $200.0 million (the "delayed draw term loan"). The Company incurred $29.2 million of debt issue costs associated with the credit facility and began to amortize these costs over the life of the related debt, ranging from 6 to 7 years using the effective interest method.

On January 21, 2009, the Company entered into an amendment to the credit facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn loan commitments under the revolving credit facility, totaling $30.0 million, were terminated and are no longer available to the Company. The Company incurred $0.5 million of debt issue costs associated with this amendment and began to amortize these costs over the remaining life of the loan.

Concurrent with the amendment, the Company wrote off $0.8 million of the unamortized debt issue costs associated with the original credit facility, in accordance with EITF 98-14, *Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements*.

(3) Accounting Policies (Continued)

As of June 30, 2009, the Company had capitalized debt issue and offering costs of $23.6 million, net of amortization.

(m) Advertising Costs

Advertising costs are expensed as they are incurred.

(n) Goodwill and Other Intangible Assets

Goodwill consists of the difference between the purchase price incurred in the acquisition of Legacy FairPoint using the purchase method of accounting and the fair value of net assets acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets,* goodwill is no longer amortized, but instead is assessed for impairment at least annually. During this assessment, management relies on a number of factors, including operating results, business plans, and anticipated future cash flows.

Goodwill impairment is determined using a two-step process. Step one compares the estimated fair value of the Company's single wireline reporting unit (calculated using both the market approach and the income approach) to its carrying amount, including goodwill. The market approach compares the fair value of the Company, as measured by its market capitalization, to the carrying amount of the Company, which represents its shareholders' equity balance. As of June 30, 2009, shareholders' deficit totaled $22.6 million. The income approach compares the fair value of the Company, as measured by discounted expected future cash flows, to the carrying amount of the Company. If the Company's carrying amount exceeds its estimated fair value, there is a potential impairment and step two of the analysis must be performed.

Step two compares the implied fair value of the Company's goodwill (i.e., the fair value of the Company less the fair value of the Company's assets and liabilities, including identifiable intangible assets) to its goodwill carrying amount. If the carrying amount of the Company's goodwill exceeds the implied fair value of the goodwill, the excess is required to be recorded as an impairment.

The Company performed step one of its annual goodwill impairment assessment as of October 1, 2008 and concluded that there was no impairment at that time. In light of the Company's operating performance during the first half of 2009, which has been impacted by issues associated with the January 30, 2009 systems cutover, the Company performed another goodwill impairment assessment as of June 30, 2009. After performing the impairment test at June 30, 2009, the Company determined goodwill was not impaired.

While no impairment charges resulted from the analysis performed at June 30, 2009, impairment charges may occur in the future due to changes in the performance and future prospects for the business, the outcome of the Company's debt restructuring efforts, changes in estimated discount rates or other factors.

As of June 30, 2009, the Company had goodwill of $595.1 million.

(3) Accounting Policies (Continued)

The Company's intangible assets consist of customer lists, non-compete agreements and trade names as follows (in thousands):

	At June 30, 2009
Customer lists (weighted average 9.7 years):	
Gross carrying amount	$208,504
Less accumulated amortization	(28,215)
Net customer lists	180,289
Non-Compete agreement (weighted average 1 year):	
Gross carrying amount	358
Less accumulated amortization	(358)
Net non-compete agreement	—
Trade names (indefinite life):	
Gross carrying amount	42,816
Total intangible assets, net	$223,105

The estimated weighted average useful lives of the intangible assets are 9.7 years for the customer relationships, one year for the non-compete agreement and an indefinite useful life for trade names. Amortization expense was $5.7 million and $11.4 million for the three and six months ended June 30, 2009 and is expected to be approximately $22.6 million per year.

(o) Accounting for Income Taxes

The Company accounts for income taxes for interim periods in accordance with SFAS No. 109 *"Accounting for Income Taxes"* ("SFAS 109") and FASB Interpretation ("FIN") No. 18 *"Accounting for Income Taxes in Interim Periods"* ("FIN 18"). FIN 18 requires the tax (or benefit) related to ordinary income (or loss) to be computed at an estimated annual effective tax rate and the tax (or benefit) related to all other items to be individually computed and recognized when the items occur unless a reliable estimated annual effective tax rate cannot be calculated.

This process involves estimating the actual current tax exposure and assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's condensed consolidated balance sheets. The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes the recovery is not likely, it must establish a valuation allowance. Further, to the extent that the Company establishes a valuation allowance or increases this allowance in a financial accounting period, the Company must include a tax provision, or reduce its tax benefit in the condensed consolidated statement of operations. In performing the assessment, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. The Company uses its judgment to determine its provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets.

(3) Accounting Policies (Continued)

(p) Stock-based Compensation Plans

The Company accounts for its stock-based compensation plans in accordance with SFAS No. 123(R), *Share-Based Payment* ("SFAS No. 123(R)"), which establishes accounting for stock-based awards granted in exchange for employee services. Accordingly, for employee awards which are expected to vest, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense on a straight-line basis over the requisite service period, which generally begins on the date the award is granted through the date the award vests. The Company elected to adopt the provisions of SFAS No. 123(R) using the prospective application method for awards granted prior to becoming a public company and valued using the minimum value method, and using the modified prospective application method for awards granted subsequent to becoming a public company.

On March 3, 2009, the Company's compensation committee approved the award of performance units under the FairPoint Communications, Inc. 2008 Long Term Incentive Plan for the performance period beginning January 1, 2009 and ending December 31, 2011 to certain key employees. As of June 30, 2009, no shares of common stock had been issued pursuant to these grants.

On June 10, 2009, the Company's compensation committee approved the award of certain equity incentives to David L. Hauser, the Company's new Chairman and Chief Executive Officer, as an inducement to accept employment with the Company (the "inducement awards"). As provided in Mr. Hauser's employment agreement, dated June 11, 2009, the inducement awards include: (i) options to purchase 1,600,000 shares of the Company's common stock (the "inducement options"); (ii) restricted shares of the Company's common stock valued at $4,000,000 (the "inducement restricted stock"); and (iii) performance units for two performance periods beginning on July 1, 2009 and ending on December 31, 2010 and December 31, 2011, respectively (the "inducement performance units"). The inducement options were granted on July 1, 2009, at an exercise price of $0.95 per share. The inducement options will vest and become exercisable in three equal annual installments commencing on July 1, 2010, provided that Mr. Hauser remains employed by the Company through each such date. The inducement restricted stock will be awarded in the following three installments: (i) $500,000 on July 1, 2009; (ii) $1,750,000 on July 1, 2010; and (iii) $1,750,000 on July 1, 2011, and will be valued based on the average closing prices of the Company's common stock during the thirty calendar days immediately preceding the applicable award date. Accordingly, on July 1, 2009, 523,810 shares of restricted stock were awarded to Mr. Hauser. The inducement restricted stock will become fully vested on July 1, 2012, provided that Mr. Hauser remains employed by the Company through such date. The inducement performance units will be earned and paid in shares of the Company's common stock, based on the Company's performance during the performance periods, with a target amount of 200% of Mr. Hauser's base salary and a maximum of 400% of Mr. Hauser's base salary. The number of shares subject to the inducement options and the option exercise price will be adjusted, and additional shares of inducement restricted stock will be awarded, as necessary to preserve the value of the inducement options and the inducement restricted stock awarded on July 1, 2009 if, prior to December 31, 2010, the Company completes a restructuring of its indebtedness.

(3) Accounting Policies (Continued)

(q) Employee Benefit Plans

The Company accounts for pensions and other post-retirement benefit plans in accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS 158"). SFAS 158 requires the recognition of a defined benefit post-retirement plan's funded status as either an asset or liability on the balance sheet. SFAS 158 also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of other accumulated comprehensive income, net of applicable income taxes. Additionally, a company must determine the fair value of plan assets as of the company's year end.

(r) Business Segments

Management views its business of providing video, data and voice communication services to residential and business customers as one business segment as defined in SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information.* The Company consists of retail and wholesale telecommunications services, including local telephone, high speed Internet, long distance and other services in 18 states. The Company's chief operating decision maker assesses operating performance and allocates resources based on the consolidated results.

(s) Purchase Accounting

Prior to the adoption of SFAS No. 141R, *Business Combinations* ("SFAS 141R"), the Company recognized the acquisition of companies in accordance with SFAS No. 141, *Accounting for Business Combinations* ("SFAS 141"). The cost of an acquisition was allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the acquisition, with amounts exceeding the fair value being recorded as goodwill. All future business combinations will be recognized in accordance with SFAS 141R.

(4) Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* ("SFAS 141(R)"), which replaces SFAS 141. SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. The Company will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). SFAS 161 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under

(4) Recent Accounting Pronouncements (Continued)

FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of SFAS 161 did not have any impact on the Company's consolidated results of operations and financial position.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). SFAS 162 will become effective for interim or annual periods ending after September 15, 2009. The adoption of SFAS 162 is not expected to have any impact on the Company's consolidated results of operations and financial position.

In April 2009, the FASB issued FASB Staff Position ("FSP") No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, ("FSP FAS 107-1"). FSP FAS 107-1 extends the disclosure requirements of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to interim financial statements of publicly traded companies. FSP FAS 107-1 is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS 107-1 did not have any impact on the Company's consolidated results of operations and financial position.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165"). SFAS 165 establishes principles and requirements for identifying, recognizing and disclosing subsequent events. SFAS 165 requires that an entity identify the type of subsequent event as either recognized or unrecognized, and disclose the date through which the entity has evaluated subsequent events. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of SFAS 165 did not have any impact on the Company's consolidated results of operations and financial position.

(5) Dividends

On December 5, 2008, the Company declared a dividend of $0.2575 per share of common stock, which was paid on January 16, 2009 to holders of record as of December 31, 2008.

On March 4, 2009, the Company's board of directors voted to suspend the quarterly dividend on the Company's common stock.

(6) Acquisitions and Dispositions

On March 31, 2008, the Company completed the merger with Spinco. The merger was accounted for as a reverse acquisition of FairPoint by Spinco under the purchase method of accounting because Verizon's stockholders owned a majority of the shares of the combined Company following the merger. The merger consideration was $316.3 million. Spinco was a wholly-owned subsidiary of Verizon that owned Verizon's local exchange and related business activities in Maine, New Hampshire and Vermont. Spinco was spun off from Verizon immediately prior to the merger. Spinco served approximately 1,562,000 access line equivalents as of the date of acquisition.

(6) Acquisitions and Dispositions (Continued)

Prior to the merger, the Verizon Group engaged in a series of restructuring transactions to effect the transfer of specified assets and liabilities of the local exchange business of Verizon New England in Maine, New Hampshire and Vermont and the customers of the Verizon Group's related long distance and Internet service provider businesses in those states to Spinco and the entities (including an entity formed for holding Vermont property) that became Spinco's subsidiaries. In connection with these restructuring transactions, and immediately prior to closing of the merger on March 31, 2008, the Verizon Group contributed certain of those assets and all of the direct and indirect equity interests of those entities to Spinco in exchange for:

- the issuance of additional shares of Spinco common stock that were distributed in a spin-off, referred to as the distribution;
- a special cash payment of $1,160.0 million to the Verizon Group; and
- the issuance by Spinco to the Verizon Group of the senior notes with an aggregate principal value of $551.0 million, issued at a discount of $11.2 million (the "notes").

As a result of these transactions, the Verizon Group received $1.7 billion of combined cash and principal amount of notes.

The Verizon Group also contributed approximately $316.0 million in cash to Spinco at the time of the spin-off, in addition to the amount of working capital, subject to adjustment, that it was required to contribute pursuant to the distribution agreement that was in effect prior to the merger. During the third quarter of 2008, the Company settled the working capital adjustment with Verizon, resulting in an additional contribution to the Company of approximately $29.0 million from Verizon. In connection with this working capital settlement, the Company paid Verizon $66.3 million for certain payables (offset by any receivables) owed to Verizon affiliates.

After the contribution and immediately prior to the merger, Verizon spun off Spinco by distributing all of the shares of Spinco common stock to a third-party distribution agent to be held collectively for the benefit of Verizon stockholders. We refer collectively to the transactions described above as the spin-off.

The merger was accounted for using the purchase method of accounting for business combinations and, accordingly, the acquired assets and liabilities of Legacy FairPoint were recorded at their estimated fair values as of the date of acquisition, and Legacy FairPoint's results of operations have been included in the Company's consolidated financial statements from the date of acquisition. During the first quarter of 2009, the Company recorded an adjustment to its deferred tax account which decreased the excess of the purchase price over fair value by $24.3 million. Based upon the Company's purchase price allocation, the excess of the purchase price over the fair value of the net tangible assets acquired was approximately $846.8 million. The Company recorded an intangible asset related to the acquired customer relationships of $208.5 million, an intangible asset related to trade names of $42.8 million and an intangible asset related to a non-compete agreement of $0.4 million. The remaining $595.1 million was recognized as goodwill. The estimated weighted average useful lives of the intangible assets are 9.7 years for the customer relationships, one year for the non-compete agreement and trade names have an indefinite useful life.

(6) Acquisitions and Dispositions (Continued)

The allocation of the total net purchase price of the merger is shown in the table below (in thousands):

Cash	$ 11,401
Current assets	57,178
Property, plant and equipment	303,261
Investments	8,748
Excess cost over fair value of net assets acquired	595,120
Intangible assets	251,678
Other assets	127,034
Current liabilities	(179,146)
Long term debt	(687,491)
Other liabilities	(171,493)
Total net purchase price	$ 316,290

The following unaudited pro forma information presents the combined results of operations of the Company as though the merger and related transactions had been consummated on January 1, 2008. These results include certain adjustments, mainly associated with increased interest expense on debt and amortization of intangible assets related to the acquisitions and the related income tax effects. The pro forma financial information does not necessarily reflect the actual results of operations had the merger been consummated at the beginning of the period or which may be attained in the future (in thousands, except per share data).

	Pro forma six months ended June 30, 2008
	(unaudited)
Revenue	$694,108
Income from continuing operations	13,600
Net income	13,600
Earnings per common share from continuing operations:	
Basic	$ 0.15
Diluted	0.15
Earnings per common share:	
Basic	$ 0.15
Diluted	0.15

(7) Income Taxes

For the three months and six months ended June 30, 2009, the Company recorded an income tax benefit of $18.5 million and $31.9 million, respectively, resulting in an effective tax rate of 39.7% and 38.7%, respectively, compared to an effective tax rate of 37.6% expense and 38.4% expense for the three months and six months ended June 30, 2008, respectively.

FIN 48, *Accounting for Uncertainty in Income Taxes*, ("FIN 48") requires the Company to apply a "more likely than not" threshold to the recognition and de-recognition of uncertain tax positions. The

(7) Income Taxes (Continued)

Company's unrecognized tax benefits totaled $5.4 million and $8.6 million as of June 30, 2009 and December 31, 2008, respectively. The reduction in unrecognized tax benefits was the result of the effective settlement of Spinco's IRS audit involving the 2000 through 2003 tax years and did not have a material impact on the Company's tax provision for the three months or six months ended June 30, 2009. Of the $5.4 million of unrecognized tax benefits at June 30, 2009, $1.0 million would impact the Company's effective rate, if recognized. The remaining unrecognized tax benefits relate to temporary items and tax reserves recorded in a business combination. Furthermore, the Company does not anticipate any significant increase or decrease to the unrecognized tax benefits within the next twelve months.

The Company recognizes any interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the six months ended June 30, 2009, there was a $0.5 million decrease in interest and penalties, primarily as a result of the effective settlement of Spinco's IRS audit involving the 2000 through 2003 tax years. Cumulative interest and penalties totaled $0.7 million and $1.2 million, net of tax, as of June 30, 2009 and December 31, 2008, respectively.

At June 30, 2009, the Company had federal and state net operating loss carryforwards of $421.2 that will expire from 2019 to 2029. At June 30, 2009, the Company has alternative minimum tax credits of $3.8 million that may be carried forward indefinitely. Legacy FairPoint completed an initial public offering on February 4, 2005, which resulted in an "ownership change" within the meaning of the U.S. Federal income tax laws addressing net operating loss carryforwards, alternative minimum tax credits, and other similar tax attributes. The merger (see Note 6) also resulted in an ownership change as of March 31, 2008. As a result of these ownership changes, there are specific limitations on the Company's ability to use its net operating loss carryfowards and other tax attributes. It is the Company's belief that it can use the net operating losses even with these restrictions in place.

The Company or one of its subsidiaries files income tax returns in the federal jurisdiction, and with various state and local governments. The Company is no longer subject to federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2004. As of June 30, 2009, Spinco was under IRS audit for the 2004 through 2006 fiscal years. Management believes that the Company has adequately provided for any adjustments that may arise from these audits.

The Verizon Northern New England business used the deferral method of accounting for investment tax credits earned prior to the repeal of investment tax credits by the Tax Reform Act of 1986. The Verizon Northern New England business also deferred certain transitional credits earned after the repeal and amortized these credits over the estimated service lives of the related assets as a reduction to the provision for income taxes.

(8) Interest Rate Swap Agreements

The Company assesses interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company maintains risk management control systems to monitor interest rate cash flow risk attributable to both the Company's outstanding and forecasted debt obligations. The risk management control systems involve the use of analytical techniques, including

(8) Interest Rate Swap Agreements (Continued)

cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on the Company's future cash flows.

The Company uses variable and fixed-rate debt to finance its operations, capital expenditures and acquisitions. The variable-rate debt obligations expose the Company to variability in interest payments due to changes in interest rates. The Company believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, from time to time, the Company enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively change the variable rate on the debt obligations to a fixed rate. Under the terms of the interest rate swaps, the Company makes a payment if the variable rate is below the fixed rate, or it receives a payment if the variable rate is above the fixed rate.

As a result of the restatement, the Company incurred an event of default on the swaps. See note 1.

The chart below provides details of each of the Company's interest rate swap agreements.

Effective Date:	Notional Amount	Rate	Rate, including applicable margin	Expiration Date
February 8, 2005	$130.0 Million	4.11%	6.86%	December 31, 2009
April 29, 2005	$50.0 Million	4.72%	7.47%	March 31, 2012
June 30, 2005	$50.0 Million	4.69%	7.44%	March 31, 2011
June 30, 2006	$50.0 Million	5.36%	8.11%	December 31, 2009
December 31, 2007	$65.0 Million	4.91%	7.66%	December 30, 2011
December 31, 2007	$75.0 Million	5.46%	8.21%	December 31, 2010
December 31, 2008	$100.0 Million	5.02%	7.77%	December 31, 2010
December 31, 2009	$150.0 Million	5.65%	8.40%	December 31, 2011
June 30, 2008	$100.0 Million	4.99%	7.74%	December 30, 2010
June 30, 2008	$100.0 Million	4.95%	7.70%	June 30, 2010
June 30, 2008	$100.0 Million	5.45%	8.20%	December 31, 2010
June 30, 2008	$100.0 Million	5.30%	8.05%	December 30, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
December 31, 2010	$300.0 Million	4.49%	7.24%	December 31, 2012
June 30, 2008	$250.0 Million	3.25%	6.00%	December 31, 2010

As a result of the merger, the Company reassessed the accounting treatment of its swaps and determined that, beginning on April 1, 2008, these swaps did not meet the criteria for hedge accounting. Therefore, the changes in fair value of the swap contracts subsequent to the merger have been recorded as other income (expense) on the condensed consolidated statement of operations. As a result of these swap agreements, approximately 76% of the Company's indebtedness effectively bore interest at fixed rates rather than variable rates as of June 30, 2009. At June 30, 2009, the fair market value of these swaps was a net liability of approximately $62.8 million, all of which has been included in current liabilities due to the event of default described in note 1. The Company has recognized gains of $7.2 million and $20.1 million, respectively on derivative instruments on the consolidated statement of operations as a result of changes in the fair value of the swap agreements during the three months and six months ended June 30, 2009.

(8) Interest Rate Swap Agreements (Continued)

The following table summarizes the location and fair value of the Company's derivative instruments in the condensed consolidated balance sheets as of June 30, 2009 and December 31, 2008 (in thousands):

	Fair Value of Liability Derivatives at	
	June 30, 2009	December 31, 2008
Derivatives not designated as hedging instruments under SFAS 133:		
Interest rate contracts located within the balance sheet caption:		
Current liabilities—Interest rate swaps	$62,824	$41,274
Long term liabilities—Interest rate swaps	—	41,681
Total derivatives not designated as hedging instruments under SFAS 133	$62,824	$82,955

The following table summarizes the location and amount of gains on the Company's derivative instruments in the condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2009 and 2008 (in thousands):

	Location of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives: Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
Derivatives not designated as hedging instruments under SFAS 133					
Interest rate contracts	Gain on derivative instruments	$7,233	$43,123	$20,131	$43,123
Total derivatives not designated as hedging instruments under SFAS 133		$7,233	$43,123	$20,131	$43,123

(9) Long Term Debt

Long term debt for the Company at June 30, 2009 and December 31, 2008 is shown below (in thousands):

	June 30, 2009	December 31, 2008
Senior secured credit facility, variable rates ranging from 2.94% to 5.75% (weighted average rate of 4.84%) at June 30, 2009, due 2014 to 2015	$ 1,967,625	$1,930,000
Senior notes, 13.125%, due 2018	531,085	551,000
Discount on senior notes, 13.125%, due 2018	(10,063)	(10,747)
Total outstanding long term debt	2,488,647	2,470,253
Less current portion	(2,488,647)	(45,000)
Total long term debt, net of current portion	$ —	$2,425,253

(9) Long Term Debt (Continued)

The estimated fair value of our long term debt at June 30, 2009 is $1,056.1 million.

The approximate aggregate maturities of long term debt for each of the five years subsequent to June 30, 2009 are as follows (in thousands):

Quarter ending June 30,	
2010	$ 45,000
2011	49,075
2012	61,300
2013	136,300
2014	273,800
Thereafter	1,933,235
	$2,498,710

Prior to March 31, 2008, debt held by the Verizon Northern New England business was recorded at the Verizon consolidated level and interest expense was allocated to the Verizon Northern New England business.

On March 31, 2008, immediately prior to the merger, FairPoint and Spinco entered into a $2,030 million credit facility consisting of a revolver in an aggregate principal amount of $200.0 million, a term loan A facility in an aggregate principal amount of $500 million, a term loan B facility in the aggregate principal amount of $1,130 million and together with the term loan A facility, referred to as the term loan, and a delayed draw term loan in an aggregate principal amount of $200 million. Spinco drew $1,160 million under the term loan immediately prior to the spin-off, and then the Company drew $470 million under the term loan and $5.5 million under the delayed draw term loan concurrently with the closing of the merger. Subsequent to the merger, the Company has drawn an additional $194.5 million under the delayed draw term loan.

On October 5, 2008 the administrative agent under the credit facility filed for bankruptcy. The administrative agent accounted for thirty percent of the loan commitments under the revolving credit facility. On January 21, 2009, the Company entered into an amendment to the credit facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn loan commitments under the revolving credit facility, totaling $30.0 million, were terminated and are no longer available to the Company.

The revolving credit facility has a swingline subfacility in the amount of $10 million and a letter of credit subfacility in the amount of $30 million, which will allow issuances of standby letters of credit by the Company. The credit facility also permits interest rate and currency exchange swaps and similar arrangements that the Company may enter into with the lenders under the credit facility and/or their affiliates.

As of June 30, 2009, the Company had borrowed $150.0 million under the revolving credit facility and letters of credit had been issued for $17.9 million. Accordingly, as of June 30, 2009, the remaining amount available under the revolving credit facility was $2.4 million. The Company also had pending commitments for additional letters of credit totaling $1.5 million as of June 30, 2009.

(9) Long Term Debt (Continued)

The term loan B facility and the delayed draw term loan will mature in March 2015 and the revolving credit facility and the term loan A facility will mature in March 2014. Each of the term loan A facility, the term loan B facility and the delayed draw term loan, collectively referred to as the term loans, are repayable in quarterly installments in the manner set forth in the credit facility beginning June 30, 2009.

Interest rates for borrowings under the credit facility will be, at the Company's option, for the revolver and for the term loans at either (a) the Eurodollar rate, as defined in the credit agreement, plus an applicable margin or (b) the base rate, as defined in the credit agreement, plus an applicable margin.

The Company's Term Loan B debt is subject to a LIBOR floor of 3.00%. As a result, the Company incurs interest expense at above-market levels when LIBOR rates are below 3.00%.

The Company's effective interest rate on all of its debt, which includes the impact of interest rate swaps, as of June 30, 2009 is 8.37%.

The credit facility provides for payment to the lenders of a commitment fee on the average daily unused portion of the revolver commitments, payable quarterly in arrears on the last business day of each calendar quarter and on the date upon which the commitment is terminated. The credit facility also provides for payment to the lenders of a commitment fee from the closing date of the credit facility up through and including the twelve month anniversary thereof on the unused portion of the delayed draw term loan, payable quarterly in arrears, and on the date upon which the delayed draw term loan is terminated, as well as other fees.

The credit facility requires the Company first to prepay outstanding term loan A loans in full, including any applicable fees, interest and expenses and, to the extent that no term loan A loans remain outstanding, term loan B loans, including any applicable fees, interest and expenses, with, subject to certain conditions and exceptions, 100% of the net cash proceeds the Company receives from any sale, transfer or other disposition of any assets, subject to certain reinvestment rights, 100% of net casualty insurance proceeds, subject to certain reinvestment rights and 100% of the net cash proceeds the Company receives from the issuance of debt obligations and preferred stock. In addition, the Company's credit facility requires it to prepay outstanding term loans on the date the Company delivers a compliance certificate pursuant to the credit agreement beginning with the fiscal quarter ended June 30, 2009 demonstrating that the Company's leverage ratio for the preceding quarter is greater than 3.50 to 1.00, with an amount equal to the greater of (i) $11,250,000 or (ii) 90% of the Company's excess cash flow calculated after its permitted dividend payment and less its amortization payments made on the term loans pursuant to the Company's credit agreement. Notwithstanding the foregoing, the Company may designate the type of loans which are to be prepaid and the specific borrowings under the affected facility pursuant to which any amounts mandatorily prepaid will be applied in forward order of maturity of the remaining amortization payments.

Voluntary prepayments of borrowings under the term loan facilities and optional reductions of the unutilized portion of the revolving facility commitments will be permitted upon payment of an applicable payment fee, which shall only be applicable to certain prepayments of borrowings as described in the credit facility.

(9) Long Term Debt (Continued)

Under the credit facility, the Company is required to meet certain financial tests, including a minimum cash interest coverage ratio and a maximum total leverage ratio. The credit facility contains customary affirmative covenants. The credit facility also contains negative covenants and restrictions, including, among others, with respect to redeeming and repurchasing the Company's other indebtedness, loans and investments, additional indebtedness, liens, capital expenditures, changes in the nature of the Company's business, mergers, acquisitions, asset sales and transactions with affiliates. The credit facility contains customary events of default, including, but not limited to, failure to pay principal, interest or other amounts when due (subject to customary grace periods), breach of covenants or representations, cross-defaults to certain other indebtedness in excess of specified amounts, judgment defaults in excess of specified amounts, certain ERISA defaults, the failure of any guaranty or security document supporting the credit facility and certain events of bankruptcy and insolvency.

After giving effect to the restatement of the Company's financial statements for the quarterly period ended June 30, 2009, the Company was not in compliance with the financial covenants contained in the credit facility for the measurement period ended June 30, 2009, which constituted an event of default under the credit facility and the swaps and may have constituted an event of default under the notes. See note 1 to the condensed consolidated financial statements contained herein. The historical disclosure contained below does not take the restatement into account.

After giving effect to the conversion of a portion of the Company's cash interest expense to non-cash interest expense as a result of the exchange offer (see note 17), the Company was able to maintain compliance with all the financial covenants contained in the credit facility as of June 30, 2009. However, the Company currently expects that it may be at risk of failing to comply with the interest coverage ratio maintenance covenant and/or the leverage ratio maintenance covenant in the credit facility for the measurement period ending September 30, 2009. If the Company is unable to comply with either the interest coverage ratio maintenance covenant or the leverage maintenance covenant, such failure would constitute an event of default under the credit facility, which would permit the lenders under the credit facility to accelerate the maturity of the loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to the Company. If the lenders under the credit facility were to exercise such remedies, the Company does not believe that it could refinance the credit facility on reasonable terms, or at all, in the current lending environment.

The credit agreement also contains restrictions on the Company's ability to pay dividends on or repurchase its common stock.

The credit facility is guaranteed, jointly and severally, by all existing and subsequently acquired or organized wholly owned first-tier domestic subsidiaries of the Company that are holding companies. No guarantee is required of a subsidiary that is an operating company. Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Enhanced Communications of Northern New England Inc. are regulated operating subsidiaries and, accordingly, are not guarantors under the credit facility.

The credit facility is secured by a first priority perfected security interest in all of the stock, equity interests, promissory notes, partnership interests and membership interests owned by the Company.

(9) Long Term Debt (Continued)

On March 31, 2008, Spinco issued $551.0 million aggregate principal amount of the notes. The notes mature on April 1, 2018 and are not redeemable at the Company's option prior to April 1, 2013. Interest is payable on the notes semi-annually in cash on April 1 and October 1 of each year. The notes bear interest at a fixed rate of 13⅛% and principal is due at maturity. The notes were issued at a discount and, accordingly, at the date of their distribution, the notes had a carrying value of $539.8 million (principal amount at maturity of $551.0 million less discount of $11.2 million).

The indenture governing the notes limits, among other things, the Company's ability to incur additional indebtedness, issue certain preferred stock, repurchase its capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restriction on the ability of the Company's subsidiaries to make distributions or transfer assets to the Company and enter into transactions with affiliates.

The indenture governing the notes also restricts the Company's ability to pay dividends on or repurchase its common stock under certain circumstances.

During the three and six months ended June 30, 2009, the Company repurchased $12.0 million and $19.9 million, respectively, in aggregate principal amount of the notes for an aggregate purchase price of $4.1 million and $6.3 million, respectively, in cash. In addition, for the three and six months ended June 30, 2009, the Company repaid $6.3 million of principal under the term loan A facility of its credit facility and for the three and six months ended June 30, 2009, repaid $2.8 million and $6.1 million, respectively, of principal under the term loan B facility of its credit facility. In total, the Company retired $21.1 million and $32.3 million of outstanding debt during the three and six months ended June 30, 2009, respectively.

For a discussion of the exchange offer relating to the notes which was initiated on June 24, 2009, see note 17.

(10) Employee Benefit Plans

The Company remeasured its pension and other post-employment benefit assets and liabilities as of December 31, 2008, in accordance with SFAS 158. This measurement is based on a 5.99% discount rate, as well as certain other valuation assumption modifications. Additionally, the Company remeasured its management pension plan as of June 30, 2009 to recognize a settlement charge in accordance with SFAS No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*. This measurement is based on a 6.64% discount rate.

Prior to the merger, the Verizon Northern New England business participated in Verizon's benefit plans. Verizon maintained noncontributory defined benefit pension plans for many of its employees. The post-retirement health care and life insurance plans for the Verizon Northern New England business' retirees and their dependents were both contributory and noncontributory and included a limit on the Companies' share of cost for recent and future retirees. The Verizon Northern New England business also sponsored defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis. A measurement date of December 31 was used for the pension and post-retirement health care and life insurance plans.

The structure of Verizon's benefit plans did not provide for the separate attribution of the related pension and post-retirement assets and obligations at the Verizon Northern New England business

(10) Employee Benefit Plans (Continued)

level. Because there was not a separate plan for the Verizon Northern New England business, the annual income and expense related to such assets and obligations were allocated to the Verizon Northern New England business and are reflected as prepaid pension assets and employee benefit obligations in the balance sheet prior to the merger.

After June 30, 2006, Verizon management employees, including management employees of the Verizon Northern New England business, ceased to earn pension benefits or earn service towards the company retiree medical subsidy. In addition, new management employees hired after December 31, 2005 were not eligible for pension benefits and managers with less than 13.5 years of service as of June 30, 2006 were not eligible for company-subsidized retiree healthcare or retiree life insurance benefits. Beginning July 1, 2006, Verizon Northern New England business management employees received an increased company match on their savings plan contributions.

Components of the net periodic benefit (income) cost related to the Company's pension and post-retirement healthcare plans for the three and six months ended June 30, 2009 are presented below (in thousands).

	Three Months ended June 30, 2009		Six Months ended June 30, 2009	
	Qualified Pension	Post-retirement Health	Qualified Pension	Post-retirement Health
Service cost	$ 2,736	$3,176	$ 5,471	$ 6,351
Interest cost	3,280	3,284	6,561	6,568
Expected return on plan assets	(5,179)	—	(10,358)	—
Amortization of prior service cost	363	1,073	726	2,146
Amortization of actuarial (gain) loss	156	664	311	1,328
Settlement loss	887	—	887	—
Net periodic benefit cost	$ 2,243	$8,197	$ 3,598	$16,393

In 2009, the Company does not expect to make a contribution to the qualified pension plans, but it does expect to incur $0.6 million in post-retirement healthcare plan expenditures.

For the three months and six months ended June 30, 2009, the actual gain on the pension plan assets has been approximately 13.8% and 0.7%, respectively. Net periodic benefit cost for 2009 assumes a weighted average annualized expected return on plan assets of approximately 8.3%. Should the actual return on plan assets continue to be significantly lower than the expected return assumption, the net periodic benefit cost may increase in future periods and the Company may be required to contribute additional funds to its pension plans after 2009.

Pension plan assets at June 30, 2009 include an additional transfer of assets from Verizon, estimated to be between $29.8 and $41.3 million, pending final actuarial settlement. This estimate reflects an initial estimate of between $38.5 and $50.0 million as of December 31, 2008, reduced by a final asset transfer of $9.0 million on June 1, 2009 related to the management pension plan, and adjusted for gains and losses since December 31, 2008. For purposes of determining fair value of plan assets at June 30, 2009, the Company has assumed a final transfer of $29.8 million from Verizon for the associate pension plan. The final transfer will be made from Verizon's defined benefit plans' trusts upon final validation by actuaries and the Company of the census information and related actuarial

(10) Employee Benefit Plans (Continued)

calculations in accordance with relevant statutory and regulatory guidelines and an employee matters agreement with Verizon. The assets transferred from the Verizon benefit plans' trusts to the Company's benefit plans' trusts have been invested by the plans' trustee in various equity and fixed income securities. The final asset transfer will include investment return or loss on the final transfer amount from March 31, 2008 until the date of the final asset transfer equivalent to the rate of return in the Verizon pension trusts.

The Company and its subsidiaries sponsor four voluntary 401(k) savings plans that, in the aggregate, cover substantially all eligible Legacy FairPoint employees, and two voluntary 401(k) savings plans that cover in the aggregate substantially all eligible Northern New England operations employees (collectively, "the 401(k) Plans"). Each 401(k) Plan year, the Company contributes to the 401(k) Plans an amount of matching contributions determined by the Company at its discretion. For the three months ended March 31, 2009, the Company generally matched in the Legacy FairPoint 401(k) plans 100% of each employee's contribution up to 3% of compensation and 50% of additional contributions up to 6% or as otherwise required by the relevant collective bargaining agreement; in the Northern New England 401(k) management plan an amount equal to 100% of each employee's contribution up to 6% of base compensation; and in the Northern New England 401(k) plan for union associates an amount equal to 82% of each employee's contribution up to 6% of base compensation.

Effective for the first full payroll period in April 2009, matching contributions made to the Company's 401(k) plans for certain employees may be made in the form of the Company's common stock or in cash. Generally, each participant in these plans would receive a dollar-for-dollar match of FairPoint stock or cash up to 5% of the participant's eligible compensation. For the three months ended June 30, 2009, the foregoing matching contributions were made in the form of cash. Certain participants in the Company's 401(k) plans who are covered by collective bargaining agreements will continue to have their Company matching contributions determined under the prior formula and made in cash.

Total Company contributions to all 401(k) Plans were $2.4 million and $2.3 million for the three months ended June 30, 2009 and 2008, respectively, and were $4.9 million and $5.1 million for the six months ended June 30, 2009 and 2008, respectively. The $2.4 million of Company contributions during the three months ended June 30, 2009 includes a lump sum contribution of $0.9 million made on July 15 to match certain employee contributions made during the three months ended June 30, 2009.

(11) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows (in thousands):

	June 30, 2009	December 31, 2008
Accumulated other comprehensive loss, net of taxes:		
Defined benefit pension and post-retirement plans	$(131,218)	$(134,504)
Total accumulated other comprehensive loss	$(131,218)	$(134,504)

Other Comprehensive Loss for the six months ended June 30, 2009 includes amortization of defined benefit pension and post-retirement plan related prior service costs and actuarial gains and

(11) Accumulated Other Comprehensive Loss (Continued)

losses included in Accumulated Other Comprehensive Loss. Defined benefit pension and post-retirement plan activity during the three months ended March 31, 2008 included $49.5 million (net of $32.8 million taxes) in connection with the merger, which is reflected as a reduction to Accumulated Other Comprehensive Loss. This amount represents the allocation of previously existing plan assets, obligations and prior service costs to the surviving benefit plans upon merger.

(12) Earnings Per Share

Earnings per share has been computed in accordance with SFAS No. 128, *Earnings Per Share*. Basic earnings per share is computed by dividing net income or loss by the weighted average number of shares of common stock outstanding for the period. Except when the effect would be anti-dilutive, the diluted earnings per share calculation calculated using the treasury stock method includes the impact of stock units, shares of non-vested common stock and shares that could be issued under outstanding stock options. The weighted average number of common shares outstanding for all periods presented has been restated to reflect the issuance of 53,760,623 shares to the stockholders of Spinco in connection with the merger.

The following table provides a reconciliation of the common shares used for basic earnings per share and diluted earnings per share (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Weighted average number of common shares used for basic earnings per share	89,364	88,725	89,168	62,077
Effect of potential dilutive shares	—	465	—	406
Weighted average number of common shares and potential dilutive shares used for diluted earnings per share	89,364	89,190	89,168	62,483
Anti-dilutive shares excluded from the above reconciliation	644	494	882	509

Since the Company incurred a loss for the three and six months ended June 30, 2009, all potentially dilutive securities are anti-dilutive and are, therefore, excluded from the determination of diluted earnings per share.

(13) Stockholders' Equity (Deficit)

On March 31, 2008, FairPoint completed the merger, pursuant to which Spinco merged with and into FairPoint, with FairPoint continuing as the surviving corporation for legal purposes. In order to effect the merger, the Company issued 53,760,623 shares of common stock, par value $.01 per share, to Verizon stockholders for their interest in Spinco. At the time of the merger, Legacy FairPoint had 35,264,945 shares of common stock outstanding. Upon consummation of the merger, the combined Company had 89,025,568 shares of common stock outstanding. At June 30, 2009, there were 89,496,847 shares of common stock outstanding and 200,000,000 shares of common stock were authorized.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (Unaudited) (Continued)

(14) Transactions with Affiliates

The Verizon Northern New England business' financial statements for periods prior to the merger include the following transactions with Verizon and related subsidiaries:

The Verizon Northern New England business' operating revenue includes transactions with Verizon for the provision of local telephone services, network access, billing and collection services, interconnection agreements and the rental of facilities and equipment. These services were reimbursed by Verizon based on tariffed rates, market prices, negotiated contract terms that approximated market rates, or actual costs incurred by the Verizon Northern New England business.

The Verizon Northern New England business reimbursed Verizon for specific goods and services it provided to, or arranged for, the Verizon Northern New England business based on tariffed rates, market prices or negotiated terms that approximated market rates. These goods and services included items such as communications and data processing services, office space, professional fees and insurance coverage.

The Verizon Northern New England business also reimbursed Verizon for the Verizon Northern New England business' share of costs incurred by Verizon to provide services on a common basis to all of its subsidiaries. These costs included allocations for legal, security, treasury, tax and audit services. The allocations were based on actual costs incurred by Verizon and periodic studies that identified employees or groups of employees who were totally or partially dedicated to performing activities that benefited the Verizon Northern New England business, in activities such as investor relations, financial planning, marketing services and benefits administration. These allocations were based on actual costs incurred by Verizon, as well as on the size of the Verizon Northern New England business relative to other Verizon subsidiaries. The Company believes that these cost allocations are reasonable for the services provided. The Company also believes that these cost allocations are consistent with the nature and approximate amount of the costs that the Verizon Northern New England business would have incurred on a stand-alone basis.

The Verizon Northern New England business also recognized an allocated portion of interest expense in connection with contractual agreements between the Verizon Companies and Verizon for the provision of short term financing and cash management services. Verizon issues commercial paper and obtains bank loans to fund the working capital requirements of Verizon's subsidiaries, including the Verizon Group, and invests funds in temporary investments on their behalf. The Verizon Group also recognized interest expense related to a promissory note held by Verizon.

The affiliate operating revenue and expense amounts do not include affiliate transactions between Verizon and VLD's, VOL's and VSSI's operations in Maine, New Hampshire and Vermont. Because the Verizon Northern New England business' operating expenses associated with VLD, VOL and VSSI were determined predominantly through allocations, separate identification of the affiliate transactions was not readily available.

(15) Fair Value Measurements

SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. SFAS No. 157 also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2, which delays

(15) Fair Value Measurements (Continued)

the effective date of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company elected a partial deferral of SFAS No. 157 under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating goodwill, investments, other intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities until fiscal years beginning after November 15, 2008. As of January 1, 2009, the Company adopted FSP 157-2 which did not have a material impact on the Company's financial statements. The impact of partially adopting SFAS No. 157 effective January 1, 2008 was not material to the Company's financial statements.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis (at least annually) as of June 30, 2009 (in thousands):

	June 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps (1)	$(62,824)	—	(62,824)	—

(1) Fair value of interest rate swaps at June 30, 2009 was calculated by the Company using valuation methodologies consistent with those of the counterparties to the underlying contracts. These market values were then discounted for the Company's risk of non-performance, which is represented by the market spread on our debt as of June 30, 2009. See note 8 for more information.

(16) Commitments and Contingencies

(a) Leases

Future minimum lease payments under capital leases and non-cancelable operating leases as of June 30, 2009 are as follows (in thousands):

	Capital Leases	Operating Leases
Twelve months ending June 30:		
2010	$ 3,085	$ 11,735
2011	2,563	9,283
2012	1,841	8,172
2013	1,648	6,934
2014	1,534	4,999
Thereafter	872	8,226
Total minimum lease payments	$11,543	$ 49,349
Less interest and executory cost	(2,913)	
Present value of minimum lease payments	8,630	
Less current installments	(2,046)	
Long term obligations at June 30, 2009	$ 6,584	

(16) Commitments and Contingencies (Continued)

The Company does not have any leases with contingent rental payments or any leases with contingency renewal, purchase options, or escalation clauses.

(b) Legal Proceedings

From time to time, the Company is involved in litigation and regulatory proceedings arising out of its operations. Management believes that the Company is not currently a party to any legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on the Company's financial position or results of operations.

(c) Service Quality Penalties

The Company is subject to certain service quality requirements in the states of Maine, New Hampshire and Vermont. Failure to meet these requirements in any of these states may result in penalties being assessed by the respective state regulatory body. As of June 30, 2009, the Company has recognized an estimated liability for service quality penalties based on historical assessments. However, additional penalties may be assessed as a result of service quality issues related to the systems cutover, which could have a material adverse effect on the Company's financial position, results of operations and liquidity.

(17) Subsequent Events

(a) Exchange Offer

On June 24, 2009, the Company launched an offer to exchange (the "exchange offer") all of the outstanding notes for new 13⅛% senior notes due 2018 (the "new notes"). Concurrently with the exchange offer, the Company solicited consents (the "consent solicitation") from holders of the notes for certain amendments to the indenture under which the notes were issued to eliminate or amend substantially all of the restrictive covenants and modify a number of the events of default and certain other provisions previously contained in the indenture (collectively, the "proposed amendments").

(b) Issuance of New Notes and Payment of Consent Fee

On July 29, 2009 (the "settlement date"), the Company successfully consummated the exchange offer. On the settlement date, the proposed amendments became operative and $439.6 million in aggregate principal amount of the notes (which amount was equal to approximately 83% of the then outstanding notes) were exchanged for $439.6 million in aggregate principal amount of the new notes. The new notes will mature on April 2, 2018 and will bear interest at a fixed rate of 13⅛%, payable in cash, except that the new notes will bear interest at a rate of 15% for the period from July 29, 2009 through and including September 30, 2009 (the "initial interest payment period"). In addition, the Company is permitted to pay the interest payable on the new notes for the initial interest payment period in the form of cash, by capitalizing such interest and adding it to the principal amount of the new notes or a combination of both cash and such capitalization of interest, at its option. Notwithstanding the foregoing, to the extent the Company pays the interest payable on the notes on October 1, 2009 in cash, then it will, at its option, be required to either (i) pay interest on the new notes in cash at a rate of 13⅛% for the initial interest payment period or (ii) pay interest on the new

(17) Subsequent Events (Continued)

notes by capitalizing such interest and adding it to the principal amount of the new notes at a rate of 17% per annum for the initial interest payment period. The Company currently intends to make the interest payments due on October 1, 2009 on the new notes by capitalizing such interest and adding it to the principal amount of the new notes.

In addition, pursuant to the terms of the exchange offer, an additional $18.9 million in aggregate principal amount of new notes was issued to holders who tendered their notes in the exchange offer as payment for accrued and unpaid interest on the exchanged notes up to, but not including, the settlement date of the exchange offer. In accordance with SFAS No. 6, *Classification of Short Term Obligations Expected to Be Refinanced*, the Company has classified the accrued interest on the exchanged notes as of June 30, 2009 of $14.4 million as a current liability on the condensed consolidated balance sheet.

The indenture governing the new notes, which the Company entered into with U.S. Bank National Association, as trustee, on July 29, 2009 (the "new indenture"), limits, among other things, the Company's ability to incur additional indebtedness, issue certain preferred stock, repurchase its capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restrictions on the ability of the Company's subsidiaries to make distributions or transfer assets to the Company and enter into transactions with affiliates.

The new indenture also restricts the Company's ability to pay dividends on or repurchase its common stock under certain circumstances.

In connection with the exchange offer and the corresponding consent solicitation, the Company also paid a cash consent fee of $1.6 million in the aggregate to holders of notes who validly delivered and did not revoke consents in the consent solicitation prior to a specified early consent deadline, which amount was equal to $3.75 in cash per $1,000 aggregate principal amount of notes exchanged in the exchange offer.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated).

The following discussion should be read in conjunction with the financial statements of the Company and the notes thereto, and gives effect to the restatement of our interim condensed consolidated financial statements as discussed in note 1 to the condensed consolidated financial statements. This discussion continues to reflect financial results and events as of the date of the Original Filing and has not been updated to reflect other events occurring after the date of the Original Filing or to modify or update those disclosures affected by subsequent events. This amended report for the quarter ended June 30, 2009 is being filed concurrently with amended reports on Forms 10-Q/A for prior quarterly periods ended March 31, and September 30, 2009, containing restated interim condensed consolidated financial statements as of and for the interim periods then ended.

The following discussion includes certain forward-looking statements. For a discussion of important factors, which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, "Part II—Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2009 and "Part II—Item 1A. Risk Factors" and "Cautionary Note Concerning Forward-Looking Statements" contained in this Quarterly Report.

Overview

We are a leading provider of communications services in rural and small urban communities, offering an array of services, including local and long distance voice, data, video and Internet and broadband product offerings. We are one of the largest telephone companies in the United States focused on serving rural and small urban communities, and are the 7th largest local telephone company in the United States, in each case based on number of access lines as of June 30, 2009. We operate in 18 states with approximately 1.7 million access line equivalents (including voice access lines and high speed data lines, which include DSL, wireless broadband and cable modem) in service as of June 30, 2009.

We were incorporated in Delaware in February 1991 for the purpose of acquiring and operating incumbent telephone companies in rural markets. Many of our telephone companies have served their respective communities for over 75 years.

We are subject to regulation primarily by federal and state governmental agencies. At the federal level, the Federal Communications Commission (the "FCC") generally exercises jurisdiction over the facilities and services of communications common carriers, such as FairPoint, to the extent those facilities are used to provide, originate or terminate interstate or international communications. State regulatory commissions generally exercise jurisdiction over common carriers' facilities and services to the extent those facilities are used to provide, originate or terminate intrastate communications. In addition, pursuant to the Telecommunications Act of 1996, which amended the Communications Act of 1934, state and federal regulators share responsibility for implementing and enforcing the domestic pro-competitive policies introduced by that legislation.

Legacy FairPoint's operations and our Northern New England operations operate under different regulatory regimes in certain respects. For example, concerning interstate access, all of the pre-merger regulated interstate services of FairPoint were regulated under a rate-of-return model, while all of the rate-regulated interstate services provided by the Verizon Northern New England business were regulated under a price cap model. We have obtained permission to continue to operate under this regime until the FCC completes its general review of whether to modify or eliminate the "all-or-nothing" rule. Without this permission, the all-or-nothing rule would require that all of our regulated operations be operated under the price cap model for federal regulatory purposes. In addition, while all of our operations generally are subject to obligations that apply to all local exchange carriers, our non-rural operations are subject to additional requirements concerning interconnection, non-discriminatory network access for competitive communications providers and other matters, subject to substantial oversight by state regulatory commissions. In addition, the FCC has ruled that our Northern New England operations must comply with the regulations applicable to the Bell Operating Companies. Our rural and non-rural operations are also subject to different regimes concerning universal service.

As our primary source of revenues, access lines are an important element of our business. Over the past several years, communications companies, including FairPoint, have experienced a decline in access lines due to increased competition, including competition from wireless carriers and cable television operators, the introduction of DSL services (resulting in customers substituting DSL for a second line) and challenging economic conditions. In addition, while we were operating under the transition services agreement, dated as of January 15, 2007, which we entered into with certain subsidiaries of Verizon in connection with the merger, as amended on March 31, 2008 (the "transition services agreement"), we had limited ability to change current product offerings. Upon completion of the cutover from the Verizon systems to the new FairPoint systems on January 30, 2009 (the "cutover"), we expected to be able to modify bundles and prices to be more competitive in the marketplace. However, due to certain systems functionality issues (as described herein), we have had limited ability during the first half of 2009 to make changes to our product offerings. In late June 2009, we began actively marketing and promoting our DSL product for the first time since the cutover.

From 2007 through January 2009, we were in the process of developing and deploying new systems, processes and personnel to replace those used by Verizon to operate and support our network and back office functions in the Maine, New Hampshire and Vermont operations we acquired from Verizon. These services were provided by Verizon under the transition services agreement through January 30, 2009. On January 30, 2009, we began the cutover, and on February 9, 2009, we began operating our new platform of systems independently from the Verizon systems, processes and personnel. During the period from January 23, 2009 until January 30, 2009, all retail orders were taken manually and following the cutover were entered into the new systems. From February 2, 2009 through February 9, 2009, we manually processed only emergency orders, although we continued to provide repair and maintenance services to all customers.

Following the cutover, many of these systems functioned without significant problems, but a number of the key back-office systems, such as order entry, order management and billing, experienced certain functionality issues. As a result of these systems functionality issues, as well as work force inexperience on the new systems, we experienced increased handle time by customer service representatives for new orders, reduced levels of order flow-through across the systems, which caused delays in provisioning and installation, and delays in the processing of bill cycles and collection treatment efforts. These issues impacted customer satisfaction and resulted in large increases in customer call volumes into our customer service centers. While many of these issues were anticipated, the magnitude of difficulties experienced was beyond our expectations.

We have since worked diligently to remedy these issues and we now believe that most areas of the business are operating at or near normal levels. The order backlog has been reduced significantly and order handle times continue to be reduced. Provisioning of new orders has steadily improved and call volumes into the customer service centers have returned to pre-cutover levels. In addition, certain systems functionality which supports collection efforts has only recently become available. Nevertheless, delays in implementing the collections software functionality, together with other cutover issues, have caused an increase in accounts receivable, which has adversely impacted our liquidity.

Because of these cutover issues, during the three months and six months ended June 30, 2009 we incurred $8.6 million and $28.0 million, respectively, of incremental expenses in order to operate our business, including third-party contractor costs and internal labor costs in the form of overtime pay. The cutover issues also required significant staff and senior management attention, diverting their focus from other efforts. We expect to continue to incur a modest amount of incremental costs during the third quarter of 2009 as we fully complete our cutover restoration efforts.

In addition to the significant incremental expenses we incurred as a result of these cutover issues, we have been unable to fully implement our operating plan for 2009 and effectively compete in the marketplace, which we believe is having an adverse effect on our business, financial condition, results of operations and liquidity, as well as our ability to continue to comply with the financial covenants in our credit agreement.

Recent Developments

Exchange Offer, Issuance of New Notes and Payment of Consent Fee

Primarily as a result of the cutover issues and the other events referenced above, we believed that we were at risk of failing to comply with the interest coverage ratio maintenance covenant in our credit facility, dated as of March 31, 2008, which we entered into with Spinco and lenders and agents party thereto, as amended (the "credit facility"), when measured for the period ending June 30, 2009. Given that we believe that our credit facility is a valuable asset and that we may not be able to refinance the credit facility or obtain new financing on reasonable terms, if at all, in the current lending environment, we initiated preliminary discussions with the administrative agent under our credit facility regarding a waiver of this potential breach of the interest coverage ratio maintenance covenant for the measurement period ending June 30, 2009. At the time of such discussions, the administrative agent indicated that such a waiver would require a significant cash fee, likely result in additional restrictive provisions being placed on us and likely require us to renegotiate certain provisions in our credit facility following expiration of such waiver. We ultimately elected not to pursue a waiver and instead launched an offer on June 24, 2009 to exchange (the "exchange offer") all of our 13⅛% senior notes due 2018 (the "notes") for new 13⅛% senior notes due 2018 (the "new notes"). The exchange offer was primarily designed to reduce our cash interest expense for the quarters ending June 30, 2009 and September 30, 2009 and to help us maintain compliance with the interest coverage ratio maintenance covenant in our credit facility for the measurement period ending June 30, 2009.

Concurrently with the exchange offer, we solicited consents (the "consent solicitation") from holders of the notes for certain amendments to the indenture under which the notes were issued, dated as of March 31, 2008, between Spinco and U.S. Bank National Association, as trustee, as amended (the "indenture"), to eliminate or amend substantially all of the restrictive covenants and modify a number of the events of default and certain other provisions previously contained in the indenture (collectively, the "proposed amendments").

On July 29, 2009 (the "settlement date"), we successfully consummated the exchange offer. On the settlement date of the exchange offer, the proposed amendments became operative and $439.6 million in aggregate principal amount of the notes (which amount was equal to approximately 83% of the then outstanding notes) were exchanged for $439.6 million in aggregate principal amount of the new notes. The new notes will mature on April 2, 2018 and will bear interest at a fixed rate of 13⅛%, payable in cash, except that the new notes will bear interest at a rate of 15% for the period from July 29, 2009 through and including September 30, 2009 (the "initial interest payment period"). In addition, we are permitted to pay the interest payable on the new notes for the initial interest payment period in the form of cash, by capitalizing such interest and adding it to the principal amount of the new notes or a combination of both cash and such capitalization of interest, at our option. Notwithstanding the foregoing, to the extent we pay the interest payable on the notes on October 1, 2009 in cash, then we will, at our option, be required to either (i) pay interest on the new notes in cash at a rate of 13⅛%

for the initial interest payment period or (ii) pay interest on the new notes by capitalizing such interest and adding it to the principal amount of the new notes at a rate of 17% per annum for the initial interest payment period. We currently intend to make the interest payments due on October 1, 2009 on the new notes by capitalizing such interest and adding it to the principal amount of the new notes.

In addition, pursuant to the terms of the exchange offer, an additional $18.9 million in aggregate principal amount of new notes were issued to holders who tendered their notes in the exchange offer as payment for accrued and unpaid interest on the exchanged notes up to, but not including, the settlement date. In accordance with SFAS No. 6, *Classification of Short Term Obligations Expected to Be Refinanced*, we have classified the accrued interest of $14.4 million on the exchanged notes as of June 30, 2009 as a current liability on the condensed consolidated balance sheet.

The indenture governing the new notes, which we entered into with U.S. Bank National Association, as trustee, on July 29, 2009 (the "new indenture"), limits, among other things, our ability to incur additional indebtedness, issue certain preferred stock, repurchase our capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restrictions on the ability of our subsidiaries to make distributions or transfer assets to us and enter into transactions with affiliates.

The new indenture also restricts our ability to pay dividends on or repurchase our common stock under certain circumstances.

In connection with the exchange offer and the corresponding consent solicitation, we also paid a cash consent fee of $1.6 million in the aggregate to holders of notes who validly delivered and did not revoke consents in the consent solicitation prior to a specified early consent deadline, which amount was equal to $3.75 in cash per $1,000 aggregate principal amount of notes exchanged in the exchange offer.

The Restructuring Plan

After giving effect to the restatement of our financial statements for the quarterly period ended June 30, 2009, we were not in compliance with the financial covenants contained in the credit facility for the measurement period ended June 30, 2009. See note 1 to the condensed consolidated financial statements contained herein. The historical disclosure contained below does not take the restatement into account.

After giving effect to the conversion of a portion of our cash interest expense to non-cash interest expense as a result of the exchange offer, we were able to maintain compliance with all the financial covenants contained in the credit facility as of June 30, 2009. However, we currently expect that the exchange offer may not provide a sufficient reduction in our cash interest expense to prevent a breach of the interest coverage ratio maintenance covenant in our credit facility for the measurement period ending September 30, 2009. In addition, we currently expect that we may be in breach of the leverage ratio maintenance covenant in our credit facility as early as the measurement period ending September 30, 2009. If we are unable to comply with either the interest coverage ratio maintenance covenant and/or the leverage maintenance covenant, such failure would constitute an event of default under our credit facility, which would permit the lenders under our credit facility to accelerate the maturity of the loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to us. If the lenders under our credit facility exercised such remedies, we do not believe that we could refinance the credit facility on reasonable terms, or at all, in the current lending environment.

In order to address these issues, we are developing a restructuring plan with the assistance of Rothschild Inc. ("Rothschild"), the financial advisor we retained to assist with our efforts to restructure our capital structure.

As currently contemplated, the restructuring plan will relate to our outstanding notes and new notes and will be generally designed to (i) reduce our indebtedness and interest expense, (ii) improve our liquidity and financial and operational flexibility in order to allow us to compete more effectively and generate long term revenue growth and (iii) help us maintain compliance with the maintenance covenants in our credit facility. We anticipate that the restructuring plan will include, among other things, an offer to exchange all of our outstanding notes and new notes for shares of our capital stock. We expect consummation of such a transaction will be highly dilutive to our current stockholders.

In the event that the restructuring plan is not consummated, including because noteholders fail to support the restructuring plan or we are unable to obtain stockholder approval if required, we will consider all other restructuring alternatives available to us, which may include the commencement of an in-court resolution under chapter 11 of the U.S. Bankruptcy Code ("chapter 11"), with or without a pre-arranged plan of reorganization. There can be no assurance that any restructuring arrangement or plan that we pursue will be successful, or what the terms thereof would be or what, if anything, our existing debt and equity holders would receive in any restructuring, which will depend on our enterprise value, although we believe than any restructuring would be highly dilutive to our current stockholders. In addition, we can make no assurances with respect to what the value of our debt and equity will be following the consummation of any restructuring.

Appointment of Chairman of the Board and Chief Executive Officer

On June 16, 2009, our board of directors announced that it had appointed David L. Hauser to serve as our chairman and chief executive officer, which appointment became effective on July 1, 2009, and Eugene B. Johnson announced his retirement as our chairman and chief executive officer and his resignation from our board of directors, which retirement and resignation became effective on June 30, 2009. In addition, effective July 1, 2009, Mr. Hauser no longer serves as a member of any committee of our board of directors.

Non-compliance with New York Stock Exchange Continued Listing Standards

On July 24, 2009, we were notified by the New York Stock Exchange (the "NYSE") that we were not in compliance with the NYSE's continued listing standards (the "non-compliance notice") because the thirty day average market capitalization of our common stock had been less than $75 million (the "$75 million rule"). Under the NYSE rule, we have 45 calendar days from receipt of the non-compliance notice to respond to the NYSE by submitting a business plan demonstrating our strategy for regaining compliance with the $75 million rule within 18 months of receipt of the non-compliance notice (the "plan"). If the NYSE accepts the plan, we will be subject to quarterly monitoring for compliance with the plan. If the NYSE does not accept the plan, we will be subject to suspension by the NYSE and delisting by the SEC.

We intend to submit a plan to the NYSE that will enable us to regain compliance with the $75 million rule through the deleveraging of our current capital structure and the execution of certain growth initiatives in the business and broadband markets in northern New England.

Our common stock remains listed on the NYSE under the symbol "FRP" but has been assigned a ".BC" indicator by the NYSE to signify that we are not currently in compliance with the NYSE's continued listing standards. The ".BC" indicator would be removed at such time as we are deemed compliant with the NYSE's continued listing standards.

Basis of Presentation

On March 31, 2008, the merger between Spinco and Legacy FairPoint was completed. In connection with the merger and in accordance with the terms of the merger agreement, Legacy FairPoint issued 53,760,623 shares of common stock to Verizon stockholders. Prior to the merger, the Verizon Group engaged in a series of restructuring transactions to effect the transfer of specified assets and liabilities of the Verizon Northern New England business to Spinco and the entities that became Spinco's subsidiaries. Spinco was then spun off from Verizon immediately prior to the merger. While FairPoint was the surviving entity in the merger, for accounting purposes Spinco is deemed to be the acquirer. As a result, for the six months ended June 30, 2008, the statement of operations and the financial information derived from the statement of operations in this Quarterly Report reflect the consolidated financial results of the Company by including the financial results of the Verizon Northern New England business for the three months ended March 31, 2008 and the combined financial results of Spinco and Legacy FairPoint for the three months ended June 30, 2008. For more information, see note 2 to the "Condensed Consolidated Financial Statements."

We view our business of providing voice, data and communication services to residential and business customers as one business segment as defined in Statement of Financial Accounting, or SFAS, No. 131, "Disclosures about Segments of an Enterprise and Related Information."

Revenues

We derive our revenues from:

- *Local calling services.* We receive revenues from our telephone operations from the provision of local exchange, local private line, wire maintenance, voice messaging and value-added services. Value-added services are a family of services that expand the utilization of the network, including products such as caller ID, call waiting and call return. The provision of local exchange services not only includes retail revenues but also includes local wholesale revenues from unbundled network elements, referred to as UNEs, interconnection revenues from competitive local exchange carriers and wireless carriers, and some data transport revenues.

- *Network access services.* We receive revenues earned from end-user customers and long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers and end-users that buy dedicated local and interexchange capacity to support their private networks. Access revenues are earned from resellers who purchase dial-tone services.

- *Interstate access revenue.* Interstate access charges to long distance carriers and other customers are based on access rates filed with the FCC. These revenues also include Universal Service Fund payments for high-cost loop support, local switching support, long term support and interstate common line support.

- *Intrastate access revenue.* These revenues consist primarily of charges paid by long distance companies and other customers for access to our networks in connection with the origination and termination of intrastate telephone calls both to and from our customers. Intrastate access charges to long distance carriers and other customers are based on access rates filed with the state regulatory agencies.

- *Universal Service Fund high-cost loop support.* We receive payments from the Universal Service Fund to support the high cost of operating in rural markets and to provide support for low income subscribers, schools, libraries and rural healthcare.

- *Long distance services.* We receive revenues from long distance services we provide to our residential and business customers. Included in long distance services revenue are revenues received from regional toll calls.
- *Data and Internet services.* We receive revenues from monthly recurring charges for services, including high speed data, Internet and other services.
- *Other services.* We receive revenues from other services, including video services (including cable television and video-over-DSL), public (coin) telephone, billing and collection, directory services and the sale and maintenance of customer premise equipment.

The following table summarizes revenues and the percentage of revenues from the listed sources (in thousands, except for percentage of revenues data):

	Revenues				% of Revenues			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
	Restated		Restated		Restated		Restated	
Revenue Source:								
Local calling services	$114,707	$149,591	$237,527	$281,766	40%	43%	41%	45%
Access	94,905	101,402	188,032	180,420	33%	30%	32%	29%
Long distance services	35,701	49,090	79,096	90,357	13%	14%	13%	14%
Data and Internet services	28,219	30,552	56,413	52,572	10%	9%	10%	8%
Other services	11,230	14,055	22,992	21,989	4%	4%	4%	4%
Total	$284,762	$344,690	$584,060	$627,104	100%	100%	100%	100%

Operating Expenses

Our operating expenses consist of cost of services and sales, selling, general and administrative expenses, and depreciation and amortization.

- *Cost of Services and Sales.* Cost of services and sales includes the following costs directly attributable to a service or product: salaries and wages, benefits, materials and supplies, contracted services, network access and transport costs, customer provisioning costs, computer systems support and cost of products sold. Aggregate customer care costs, which include billing and service provisioning, are allocated between cost of services and sales and selling, general and administrative expense.
- *Selling, General and Administrative Expense.* Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income, advertising and sales commission costs, customer billing, call center and information technology costs, professional service fees and rent for administrative space. Also included in selling, general and administrative expenses are non-cash expenses related to stock based compensation. Stock based compensation consists of compensation charges incurred in connection with the employee stock options, stock units and non-vested stock granted to executive officers and directors.
- *Depreciation and amortization.* Depreciation and amortization includes depreciation of our communications network and equipment and amortization of intangible assets.

Because the Verizon Northern New England business had been operating as the local exchange carrier of Verizon in Maine, New Hampshire and Vermont, and not as a standalone telecommunications provider, the historical operating results of the Verizon Northern New England business for the three months ended March 31, 2008 include approximately $58 million of expenses for services provided by the Verizon Group, including information systems and information technology, shared assets including office space outside of New England, supplemental customer sales and service and operations. During January 30, 2009, we operated under the transition services agreement, under which we incurred $15.9 million of expenses. As of January 30, 2009, we began performing these services internally or obtaining them from third-party service providers and not from Verizon.

Acquisitions and Dispositions

On March 31, 2008, we completed the merger with Spinco. The merger of Legacy FairPoint and Spinco was accounted for as a reverse acquisition of Legacy FairPoint by Spinco under the purchase method of accounting because Verizon's stockholders owned at least a majority of the shares of the combined Company following the merger. The merger consideration was $316.3 million. Spinco was a wholly-owned subsidiary of Verizon that owned Verizon's local exchange and related business activities in Maine, New Hampshire and Vermont. Spinco was spun off from Verizon immediately prior to the merger. Spinco served approximately 1,562,000 access line equivalents as of the date of acquisition.

Results of Operations

Three Months Ended June 30, 2009 Compared with Three Months Ended June 30, 2008

The following table sets forth the percentages of revenues represented by selected items reflected in the statements of operations. The year-to-year comparisons of financial results are not necessarily indicative of future results (in thousands, except percentage of revenues data):

	2009	% of Revenues	2008	% of Revenues
	Restated	Restated		
Revenues	$284,762	100%	$344,690	100%
Operating expenses				
Cost of services and sales	123,003	43	133,900	39
Selling, general and administrative	99,449	35	102,290	30
Depreciation and amortization	68,860	24	69,741	20
Total operating expenses	291,312	102	305,931	89
Income from operations	(6,550)	(2)	38,759	11
Interest expense	(54,809)	(19)	(45,123)	(13)
Gain on derivative instruments	7,233	2	43,123	13
Gain on early retirement of debt	7,494	3	—	—
Other income (expense)	(58)	—	264	—
Income (loss) before income taxes	(46,690)	(16)	37,023	11
Income tax (expense) benefit	18,527	6	(13,909)	(4)
Net income (loss)	$(28,163)	(10)%	$ 23,114	7%

Revenues decreased $59.9 million to $284.8 million in the second quarter of 2009 compared to 2008. Revenues in each of our revenue categories have been impacted by weakness in the economy during recent months which has caused a decrease in discretionary consumer spending and resulted in an increase in access line losses and a decrease in usage. Additionally, because of cutover issues that have prevented us from executing fully on our operating plan for 2009, our revenue has continued to decline. We derive our revenues from the following sources:

Local calling services. Local calling services revenues decreased $34.9 million to $114.7 million during the second quarter of 2009 compared to the same period in 2008. This decrease is primarily due to an 11.2% decline in total voice access lines in service at June 30, 2009 compared to June 30, 2008. The revenue decline was mainly driven by the effects of competition and technology substitution.

Access. Access revenues decreased $6.5 million to $94.9 million during the second quarter of 2009 compared to the same period in 2008. This decrease consisted of a $2.5 million decrease in intrastate access revenues and a $4.0 million decrease in interstate revenues, reflecting the impact of access line loss and technology substitution.

Long distance services. Long distance services revenues decreased $13.4 million to $35.7 million in the second quarter of 2009 compared to the same period in 2008. The decrease was primarily attributable to a decrease in the number of subscriber lines in 2009, partially offset by increased revenue from bundled product offerings designed to retain customers and generate more revenue.

Data and Internet services. Data and Internet services revenues decreased $2.3 million to $28.2 million in the second quarter of 2009 compared to the same period in 2008. This decrease is primarily due to a slowing in our high speed data subscriber growth, caused by an absence of promotional advertising of our data and Internet products due to cutover issues.

Other services. Other services revenues decreased $2.8 million to $11.2 million in the second quarter of 2009 compared to the same period in 2008.

Operating Expenses

Cost of services and sales. Cost of services and sales decreased $10.9 million to $123.0 million in the second quarter of 2009 compared to the same period in 2008. The decrease is primarily related to the elimination of costs under the transition services agreement with Verizon, which was terminated on January 30, 2009 (the "TSA"). The elimination of transition services agreement costs has been partially offset by direct costs incurred by us to operate the Northern New England operations. Costs incurred under the transition services agreement accounted for $18.9 million of cost of services and sales during the second quarter of 2008.

Selling, general and administrative. Selling, general and administrative expenses decreased $2.8 million to $99.4 million in the second quarter of 2009 compared to the same period in 2008. The decrease is primarily related to the elimination of costs under the transition services agreement, which has been partially offset by direct costs incurred by us to operate the Northern New England operations as well as increased bad debt expense and costs incurred to effect a restructuring of our capital structure. Costs incurred under the transition services agreement accounted for $30.6 million of selling, general and administrative expense during the second quarter of 2008.

Depreciation and amortization. Depreciation and amortization expense decreased $0.9 million to $68.9 million in the second quarter of 2009 compared to the same period in 2008. Adjustments of $4.6 million related to the second quarter of 2008 were recorded in the third quarter of 2008. Excluding the impact of these adjustments, depreciation and amortization expense would have increased $3.7 million, due primarily to increased gross plant asset balances, including capitalized software placed into service upon termination of the TSA.

Other Results

Interest expense. Interest expense increased $9.7 million to $54.8 million in the second quarter of 2009 compared to the same period in 2008. This increase is due to the debt that we incurred subsequent to June 30, 2008. Accrued and unpaid interest on the notes exchanged in the exchange offer through July 28, 2009 was paid on July 29, 2009 in the form of additional new notes totaling $18.9 million (or $14.4 million for the three months ended June 30, 2009). Interest expense paid in the form of new notes has been treated as non-cash for purposes of our financial debt covenants.

Gain on derivative instruments. Gain on derivative instruments represents net gains and losses recognized on the change in fair market value of interest rate swap derivatives. During the three months ended June 30, 2009, we recognized non-cash gains of $7.2 million related to our derivative financial instruments.

Gain on early retirement of debt. Gain on early retirement of debt represents a $7.5 million gain recognized on the repurchase of $12.0 million aggregate principal amount of the notes during the three months ended June 30, 2009.

Other income (expense). Other income (expense) includes non-operating gains and losses such as those incurred on sale of equipment. Other expense was ($0.1) million in the second quarter of 2009, compared with other income of $0.3 million in the same period in 2008.

Income taxes. The effective income tax rate is the provision for income taxes stated as a percentage of income before the provision for income taxes. The effective income tax rate in the second quarter of 2009 and 2008 was 39.7% benefit and 37.6% expense, respectively.

Net income (loss). Net loss for the three months ended June 30, 2009 was ($28.2) million compared to net income of $23.1 million for the same period in 2008. The difference in net income (loss) between 2009 and 2008 is a result of the factors discussed above.

Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008

The following table sets forth the percentages of revenues represented by selected items reflected in the statements of operations. The year-to-year comparisons of financial results are not necessarily indicative of future results (in thousands, except percentage of revenues data):

	2009	% of Revenues	2008	% of Revenues
	Restated	Restated		
Revenues	$ 584,060	100%	$627,104	100%
Operating expenses				
Cost of services and sales	268,266	46	269,737	43
Selling, general and administrative	191,861	33	165,406	26
Depreciation and amortization	136,727	23	123,666	20
Total operating expenses	596,854	102	558,809	89
Income from operations	(12,794)	(2)	68,295	11
Interest expense	(108,288)	(18)	(59,645)	(10)
Gain on derivative instruments	20,131	3	43,123	7
Gain on early retirement of debt	12,357	2	—	—
Other income	6,219	1	1,250	—
Income (loss) before income taxes	(82,375)	(14)	53,023	8
Income tax (expense) benefit	31,907	5	(20,366)	(3)
Net income (loss)	$ (50,468)	(9)%	$ 32,657	5%

Revenues decreased $43.0 million to $584.1 million in 2009 compared to 2008. The acquisition of Legacy FairPoint contributed $123.7 million and $66.0 million to total revenues in the six months ended June 30, 2009 and 2008, respectively. Excluding the impact of the merger, combined total revenue would have decreased $100.7 million. Revenues in each of our revenue categories have been impacted by weakness in the economy during recent months which has caused a decrease in discretionary consumer spending and resulted in an increase in access line losses and a decrease in usage. Additionally, because of cutover issues that have prevented us from executing fully on our operating plan for 2009, our revenue has continued to decline. We derive our revenues from the following sources:

Local calling services. Local calling services revenues decreased $44.2 million to $237.5 million during the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $36.6 million and $20.9 million to local revenue for the six months ended June 30, 2009 and 2008, respectively. Excluding the impact of the merger, local calling services revenues would have decreased $59.9 million compared to the prior year. This decrease is primarily due to an 11.2% decline in total voice access lines in service at June 30, 2009 compared to June 30, 2008. The revenue decline was mainly driven by the effects of competition and technology substitution.

Access. Access revenues increased $7.6 million to $188.0 million during the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $47.2 million and $24.0 million to access revenues for the six months ended June 30, 2009 and 2008, respectively. Excluding the impact of the merger, access revenues would have decreased by $15.6 million. Of this decrease, $11.5 million was attributable to a decrease in interstate revenues and $4.1 million was attributable to a decrease in intrastate revenues, reflecting the impact of access line loss and technology substitution.

Long distance services. Long distance services revenues decreased $11.3 million to $79.1 million in the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $13.8 million and $7.6 million to long distance revenues in the six months ended June 30, 2009 and 2008, respectively. Excluding the impact of the merger, long distance revenues would have decreased $17.5 million. The decrease was primarily attributable to a decrease in the number of subscriber lines in 2009, partially offset by increased revenue from bundled product offerings designed to retain customers and generate more revenue.

Data and Internet services. Data and Internet services revenues increased $3.8 million to $56.4 million in the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $17.9 million and $9.2 million to data and Internet services revenues in the six months ended June 30, 2009 and 2008, respectively. Excluding the impact of the merger, data and Internet services revenues would have decreased $4.9 million. This decrease is primarily due to a slowing in our high speed data subscriber growth, caused by an absence of promotional advertising of our data and Internet products due to cutover issues.

Other services. Other services revenues increased $1.0 million to $23.0 million in the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $8.3 million and $4.3 million to other services revenues in the six months ended June 30, 2009 and 2008, respectively. Excluding the impact of the merger, other services revenues would have decreased $3.0 million.

Operating Expenses

Cost of services and sales. Cost of services and sales decreased $1.5 million to $268.3 million in the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $44.9 million and $23.7 million to cost of services and sales expenses in the six months ended June 30, 2009 and 2008, respectively. Also included in cost of services and sales for the six months ended June 30, 2009 and 2008 are $6.1 million and $18.9 million, respectively, of expenses related to the transition services agreement with Verizon, which was terminated on January 30, 2009. Excluding the impact of the merger and the transition services agreement, cost of services and sales would have declined $9.9 million. The decline reflects the elimination of costs allocated from Verizon affiliates prior to the closing of the merger, which has more than offset direct costs incurred by us to operate our Northern New England operations.

Selling, general and administrative. Selling, general and administrative expenses increased $26.5 million to $191.9 million in the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $42.4 million and $16.6 million to selling, general and administrative expenses in the six months ended June 30, 2009 and 2008, respectively. Included in selling, general and administrative expenses for the six months ended June 30, 2009 and 2008 are $9.8 million and $30.6 million, respectively, of expenses related to the transition services agreement and $28.0 million and $10.0 million, respectively, of non-recurring cutover related costs (which we are allowed to add back to adjusted EBITDA under our credit facility). Excluding the impact of the merger and the transition services agreement, selling, general and administrative expenses would have increased $3.5 million. The increase is primarily due to increases in bad debt expense and other operating expenses, as well as costs incurred to effect a restructuring of our capital structure.

Depreciation and amortization. Depreciation and amortization expense increased $13.1 million to $136.7 million in the six months ended June 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $19.2 million and $13.8 million to depreciation and amortization expenses in the six months ended June 30, 2009 and 2008, respectively. Adjustments of $4.6 million related to the second quarter of 2008 were recorded in the third quarter of 2008. Excluding the impact of the merger and these adjustments, depreciation and amortization expense would have increased $12.3 million, due primarily to increased gross plant asset balances, including capitalized software placed into service upon termination of the TSA. Also contributing to the increase in depreciation and amortization expense is an increase of $5.6 million in amortization expense on intangible assets acquired in the merger, as no such amortization expense was recognized during the first quarter of 2008, prior to the merger.

Other Results

Interest expense. Interest expense increased $48.6 million to $108.3 million in the six months ended June 30, 2009 compared to the same period in 2008. This increase is due to the debt that we incurred upon and subsequent to the closing of the merger. Accrued and unpaid interest on the notes exchanged in the exchange offer through July 28, 2009 was paid on July 29, 2009 in the form of additional new notes totaling $18.9 million (or $14.4 million for the six months ended June 30, 2009). Interest expense paid in the form of new notes has been treated as non-cash for purposes of our financial debt covenants.

Gain on derivative instruments. Gain on derivative instruments represents net gains and losses recognized on the change in fair market value of interest rate swap derivatives. During the six months ended June 30, 2009 and 2008, we recognized non-cash gains of $20.1 million and $43.1 million, respectively, related to our derivative financial instruments.

Gain on early retirement of debt. Gain on early retirement of debt represents $13.2 million net gains recognized on the repurchase of $19.9 million aggregate principal amount of the notes during the six months ended June 30, 2009, partially offset by a loss of $0.8 million attributable to writing off a portion of the unamortized debt issue costs associated with our credit facility.

Other income (expense). Other income (expense) includes non-operating gains and losses such as those incurred on sale of equipment. Other income increased $5.0 million to $6.2 million in the six months ended June 30, 2009 compared to the same period in 2008. The increase was primarily attributable to a one-time gain of $5.4 million recognized in the first quarter of 2009 related to the settlement under the transition agreement.

Income taxes. The effective income tax rate is the provision for income taxes stated as a percentage of income before the provision for income taxes. The effective income tax rate in the six months ended June 30, 2009 and 2008 was 38.7% benefit and 38.4% expense, respectively.

Net income (loss). Net loss for the six months ended June 30, 2009 was ($50.5) million compared to net income of $32.7 million for the same period in 2008. The difference in net income (loss) between 2009 and 2008 is a result of the factors discussed above.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Our critical accounting policies are as follows:

- Revenue recognition;
- Allowance for doubtful accounts;
- Accounting for pension and other post-retirement benefits;
- Accounting for income taxes;
- Depreciation of property, plant and equipment;
- Valuation of long-lived assets, including goodwill;
- Accounting for software development costs; and
- Purchase accounting.

Revenue Recognition. We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. Fixed fees for local telephone, long distance, Internet services and certain other services are recognized in the month the service is provided. Revenue from other services that are not fixed fee or that exceed contracted amounts is recognized when those services are provided. Non-recurring customer activation fees, along with the related costs up to, but not exceeding, the activation fees, are deferred and amortized over the customer relationship period.

Allowance for Doubtful Accounts. In evaluating the collectability of our accounts receivable, we assess a number of factors, including a specific customer's or carrier's ability to meet its financial obligations to us, the length of time the receivable has been past due and historical collection experience. Based on these assessments, we record both specific and general reserves for uncollectible accounts receivable to reduce the related accounts receivable to the amount we ultimately expect to collect from customers and carriers. If circumstances change or economic conditions worsen such that our past collection experience is no longer relevant, our estimate of the recoverability of our accounts receivable could be further reduced from the levels reflected in our accompanying condensed consolidated balance sheet.

Accounting for Pension and Other Post-retirement Benefits. Some of our employees participate in our pension plans and other post-retirement benefit plans. In the aggregate, the pension plan benefit obligations exceed the fair value of pension plan assets, resulting in expense. Other post-retirement benefit plans have larger benefit obligations than plan assets, resulting in expense. Significant pension and other post-retirement benefit plan assumptions, including the discount rate used, the long term rate of return on plan assets, and medical cost trend rates are periodically updated and impact the amount of benefit plan income, expense, assets and obligations.

Accounting for Income Taxes. Our current and deferred income taxes are affected by events and transactions arising in the normal course of business, as well as in connection with the adoption of new accounting standards and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual payments may differ from these estimates as a result of changes in tax laws, as well as unanticipated future transactions affecting related income tax balances. We account for tax benefits taken or expected to be taken in our tax returns in accordance with FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), which requires the use of a two step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions.

Depreciation of Property, Plant and Equipment. We recognize depreciation on property, plant and equipment principally on the composite group remaining life method and straight-line composite rates over estimated useful lives ranging from three to 50 years. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value (if any), over the remaining asset lives. This method requires the periodic revision of depreciation rates. Changes in the estimated useful lives of property, plant and equipment or depreciation methods could have a material effect on our results of operations.

Valuation of Long-lived Assets, Including Goodwill. We review our long-lived assets, including goodwill, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Several factors could trigger an impairment review such as:

- significant underperformance relative to expected historical or projected future operating results;
- significant regulatory changes that would impact future operating revenues;
- significant negative industry or economic trends; and
- significant changes in the overall strategy in which we operate our overall business.

Goodwill was $595.1 million at June 30, 2009. We have recorded intangible assets related to the acquired companies' customer relationships and trade names of $251.7 million as of June 30, 2009. As of June 30, 2009, there was $28.6 million of accumulated amortization recorded. These intangible assets are being amortized over a weighted average life of approximately 9.7 years. The intangible assets are included in intangible assets on our condensed consolidated balance sheet.

We are required to perform an impairment review of goodwill as required by SFAS No. 142, *Goodwill and Other Intangible Assets* annually or when impairment indicators are noted. Goodwill impairment is determined using a two-step process. Step one compares the estimated fair value of our single wireline reporting unit (calculated using the market approach and the income approach) to its carrying amount, including goodwill. The market approach compares our fair value, as measured by our market capitalization, to our carrying amount, which represents our shareholders' equity balance. As of June 30, 2009, shareholders' deficit totaled $22.6 million. The income approach compares our fair value, as measured by discounted expected future cash flows, to our carrying amount. If our carrying amount exceeds our estimated fair value, there is a potential impairment and step two must be performed.

Step two compares the implied fair value of our goodwill (i.e., our fair value less the fair value of our assets and liabilities, including identifiable intangible assets) to our goodwill carrying amount. If the carrying amount of our goodwill exceeds the implied fair value of our goodwill, the excess is required to be recorded as an impairment.

We performed step one of our annual goodwill impairment assessment as of October 1, 2008 and concluded that there was no indication of impairment at that time. In light of our operating performance during the first half of 2009, which has been impacted by issues associated with the January 30, 2009 systems cutover, we performed another goodwill impairment assessment as of June 30, 2009. After applying the impairment test at June 30, 2009, it was determined that goodwill was not impaired.

While no impairment charges resulted from the analysis performed at June 30, 2009, impairment charges may occur in the future due to changes in our performance and future prospects for our business, the outcome of our debt restructuring efforts, changes in estimated discount rates or other factors.

Accounting for Software Development Costs. We capitalize certain costs incurred in connection with developing or obtaining internal use software in accordance with American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" (98-1). Capitalized costs include direct development costs associated with internal use software, including direct labor costs and external costs of materials and services. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Purchase Accounting. Prior to the adoption of SFAS No. 141R, *Business Combinations* ("SFAS 141R") we recognized the acquisition of companies in accordance with SFAS No. 141, *Accounting for Business Combinations* ("SFAS 141"). The cost of an acquisition was allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the acquisition, with amounts exceeding the fair value being recorded as goodwill. All future business combinations will be recognized in accordance with SFAS 141R.

New Accounting Standards

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R replaces SFAS 141 and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. This standard is effective for fiscal years beginning after December 15, 2008 and early adoption was prohibited. We will assess the impact of SFAS 141(R) if and when a future acquisition occurs.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS 161"). SFAS 161 requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of SFAS 161 did not have a material impact on our results of operations and financial position.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). SFAS 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The adoption of SFAS 162 is not expected to have any impact on our consolidated results of operations and financial position.

In April 2009, the FASB issued FASB Staff Position ("FSP") No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* ("FSP FAS 107-1"). FSP FAS 107-1 extends the disclosure requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", to interim financial statements of publicly traded companies. FSP FAS 107-1 is effective for interim reporting periods ending after June 15, 2009. The adoption of FSP FAS 107-1 did not have any impact on our consolidated results of operations and financial position.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* ("SFAS 165"). SFAS 165 establishes principles and requirements for identifying, recognizing and disclosing subsequent events. SFAS 165 requires that an entity identify the type of subsequent event as either recognized or unrecognized, and disclose the date through which the entity has evaluated subsequent events. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The adoption of SFAS 165 did not have any impact on our consolidated results of operations and financial position.

Inflation

We do not believe inflation has a significant effect on our operations.

Liquidity and Capital Resources

Our short term and long term liquidity needs arise primarily from: (i) interest and principal payments on our indebtedness; (ii) capital expenditures, including those mandated by the state regulatory orders approving the merger; (iii) working capital requirements as may be needed to support the growth of our business; (iv) dividend payments, if any, on our common stock; (v) obligations under our employee benefit plans; and (vi) potential acquisitions.

We have a highly leveraged capital structure and have essentially fully drawn all borrowings available under our credit facility. In the future, we expect that our primary sources of liquidity will be cash flow from operations and cash on hand. Because of cutover issues that have prevented us from executing fully on our operating plan for 2009, our revenue has continued to decline. In addition, cash collections have remained below pre-cutover levels and we have incurred significant incremental costs to operate our Northern New England operations, causing further stress on our liquidity position.

Cash and cash equivalents at June 30, 2009 totaled $81.0 million compared to $92.5 million at March 31, 2009, excluding restricted cash of $3.4 million and $55.2 million, respectively. During the three months ended June 30, 2009, $51.8 million was released from restricted cash, including $50.2 million released pursuant to a letter dated May 12, 2009 from the NHPUC allowing these funds to be used for general working capital purposes. On April 1, 2009, interest payments totaling $35.6 million were made to holders of the notes and during the three months ended June 30, 2009, debt service payments of $45.3 million were made pursuant to our credit facility. At July 31, 2009, cash and cash equivalents was $75.6 million. We expect to make debt service payments under our credit facility totaling approximately $46.1 million during the three months ending September 30, 2009.

In addition, as a result of the cutover-related issues and the continuing adverse general economic conditions, prior to June 30, 2009, we believed that we were at risk of failing to comply with the interest coverage ratio maintenance covenant in our credit facility when measured for the period ending June 30, 2009. Given that we believe that our credit facility is a valuable asset, which we may not be able to refinance on reasonable terms, if at all, in the current lending environment, we initiated preliminary discussions with the administrative agent under our credit facility regarding a waiver of this potential breach of the interest coverage ratio maintenance covenant for the measurement period ending June 30, 2009. At the time, the administrative agent indicated that such a waiver would require a significant cash fee, likely result in additional restrictive provisions being placed on us and likely require us to renegotiate certain provisions in our credit facility following the expiration of such waiver. We ultimately elected not to enter into such a waiver and instead launched the exchange offer on June 24, 2009, which exchange offer was primarily designed to reduce our cash interest expense for the quarters ending June 30, 2009 and September 30, 2009 and to help us maintain compliance with the interest coverage ratio maintenance covenant in our credit facility for the measurement period ending June 30, 2009.

On July 29, 2009, we successfully consummated the exchange offer. On the settlement date, \$439.6 million in aggregate principal amount of the notes (which amount was equal to approximately 83% of the then outstanding notes) were exchanged for \$458.5 million in aggregate principal amount of the new notes (which amount includes new notes issued to tendering noteholders as payment for accrued and unpaid interest on the exchanged notes up to, but not including, the settlement date of the exchange offer). Interest expense paid in the form of new notes has been treated as non-cash for purposes of our financial debt covenants and, in accordance with SFAS No. 6, *Classification of Short Term Obligations Expected to Be Refinanced*, we have classified the June 30, 2009 balance of \$14.4 million accrued interest on the exchanged notes as a current liability on the condensed consolidated balance sheet. In connection with the exchange offer and the corresponding consent solicitation, we also paid a cash consent fee of \$1.6 million in the aggregate to holders of notes who validly delivered and did not revoke consents in the consent solicitation prior to a specified early consent deadline.

After giving effect to the restatement of our financial statements for the quarterly period ended June 30, 2009, we were not in compliance with the financial covenants contained in the credit facility for the measurement period ended June 30, 2009. See note 1 to the condensed consolidated financial statements contained herein. The historical disclosure contained below does not take the restatement into account.

After giving effect to the conversion of a portion of our cash interest expense to non-cash interest expense as a result of the exchange offer, we were able to maintain compliance with all the financial covenants contained in the credit facility as of June 30, 2009. However, we currently expect that the exchange offer may not provide a sufficient reduction in our cash interest expense to prevent a breach of the interest coverage ratio maintenance covenant in our credit facility for the measurement period ending September 30, 2009. In addition, we currently expect that we may be in breach of the leverage ratio maintenance covenant in our credit facility as early as the measurement period ending September 30, 2009. If we are unable to comply with either the interest coverage ratio maintenance covenant or the leverage maintenance covenant, such failure would constitute an event of default under our credit facility, which would permit the lenders under our credit facility to accelerate the maturity of the loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to us. If the lenders under our credit facility were to exercise such remedies, we do not believe that we could refinance the credit facility on reasonable terms, or at all, in the current lending environment.

In order to address these issues, we are developing a restructuring plan with the assistance of Rothschild. As currently contemplated, the restructuring plan will relate to our outstanding notes and new notes and will be generally designed to (i) reduce our indebtedness and interest expense, (ii) improve our liquidity and financial and operational flexibility in order to allow us to compete more effectively and generate long term revenue growth and (iii) help us maintain compliance with the maintenance covenants in our credit facility. We anticipate that the restructuring plan will contemplate, among other things, an offer to exchange all of our outstanding notes and new notes for shares of our capital stock. We expect consummation of such a transaction will be highly dilutive to our current stockholders.

In the event that the restructuring plan is not consummated, including because noteholders fail to support the restructuring plan or we are unable to obtain stockholder approval if required, we will consider all other restructuring alternatives available to us, which may include the commencement of an in-court resolution under chapter 11, with or without a pre-arranged plan of reorganization. There can be no assurance that any restructuring arrangement or plan that we pursue will be successful, or what the terms thereof would be or what, if anything, our existing debt and equity holders would receive in any restructuring, which will depend on our enterprise value, although we believe than any restructuring would be highly dilutive to our current stockholders. In addition, we can make no assurances with respect to what the value of our debt and equity will be following the consummation of any restructuring.

On March 4, 2009, our board of directors voted to suspend the quarterly dividend. This action was taken to increase financial flexibility and enable us to begin to focus on strengthening our capital structure. This action was expected to improve our liquidity by approximately $93 million annually.

Our $2,030 million senior secured credit facility consists of a non-amortizing revolving facility in an aggregate principal amount of $200 million, a senior secured term loan A facility in an aggregate principal amount of $500 million, a senior secured term loan B facility in the aggregate principal amount of $1,130 million and a delayed draw term loan facility in an aggregate principal amount of $200 million. Spinco drew $1,160 million under the term loan immediately prior to being spun off by Verizon, and then FairPoint drew $470 million under the term loan and $5.5 million under the delayed draw term loan concurrently with the closing of the merger.

Subsequent to the merger, we borrowed the remaining $194.5 million available under the delayed draw term loan. These funds were used for certain capital expenditures and other expenses associated with the merger.

On October 5, 2008, the administrative agent under our credit facility filed for bankruptcy. The administrative agent accounted for thirty percent of the loan commitments under our revolving credit facility. On January 21, 2009, we entered into an amendment to our credit facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn commitments under our revolving credit facility, totaling $30.0 million, were terminated and are no longer available to us.

The revolving credit facility has a swingline subfacility in the amount of $10.0 million and a letter of credit subfacility in the amount of $30.0 million, which allows for issuances of standby letters of credit for our account. Our credit facility also permits interest rate and currency exchange swaps and similar arrangements that we may enter into with the lenders under our credit facility and/or their affiliates.

As of June 30, 2009, we had borrowed $150.0 million under our revolving credit facility and letters of credit had been issued for $17.9 million. Accordingly, as of June 30, 2009, the remaining amount available under our revolving credit facility is $2.4 million. As of June 30, 2009, we also had pending commitments for additional letters of credit totaling, $1.5 million.

The term loan B facility and the delayed draw term loan will mature in March 2015 and the revolving credit facility and the term loan A facility will mature in March 2014. Each of the term loan A facility, the term loan B facility and the delayed draw term loan are repayable in quarterly installments in the manner set forth in our credit facility.

Interest rates for borrowings under our credit facility are, at our option, for the revolver and for the term loans at either (a) the Eurodollar rate, as defined in the credit agreement, plus an applicable margin or (b) the base rate, as defined in the credit agreement, plus an applicable margin.

Our credit facility contains customary affirmative covenants and also contains negative covenants and restrictions, including, among others, with respect to the redemption or repurchase of our other indebtedness, loans and investments, additional indebtedness, liens, capital expenditures, changes in the nature of our business, mergers, acquisitions, asset sales and transactions with affiliates.

Borrowings under our credit facility bear interest at variable interest rates. We have entered into various interest rate swap agreements which are detailed in note 8 of the notes to our condensed consolidated financial statements for the six months ended June 30, 2009 included in this Quarterly Report. As a result of these swap agreements, approximately 76% of our indebtedness effectively bore interest at fixed rates rather than variable rates as of June 30, 2009. After these interest rate swap agreements expire, our annual debt service obligations on such portion of the term loans will vary from year to year unless we enter into a new interest rate swap or purchase an interest rate cap or other interest rate hedge. To the extent interest rates increase in the future, we may not be able to enter into new interest rate swaps or to purchase interest rate caps or other interest rate hedges on acceptable terms.

Spinco issued, and we assumed in the merger, $551.0 million aggregate principal amount of the notes. The notes mature on April 1, 2018 and are not redeemable at our option prior to April 1, 2013. Interest is payable on the notes semi-annually, in cash, on April 1 and October 1. The notes bear interest at a fixed rate of 13⅛% and principal is due at maturity. These notes were issued at a discount and, accordingly, at the date of their distribution, the notes had a carrying value of $539.8 million (principal amount at maturity of $551.0 million less discount of $11.2 million).

Upon the consummation of the exchange offer and the corresponding consent solicitation, substantially all of the restrictive covenants in the indenture were deleted or eliminated and certain of the events of default and various other provisions contained therein were modified.

Pursuant to the exchange offer, on July 29, 2009, we exchanged $439.6 million in aggregate principal amount of the notes (which amount was equal to approximately 83% of the then outstanding notes) for $458.5 million in aggregate principal amount of the new notes (which amount includes new notes issued to tendering noteholders as payment for accrued and unpaid interest on the exchanged notes up to, but not including, the settlement date of the exchange offer). The new notes will mature on April 2, 2018 and will bear interest at a fixed rate of 13⅛%, payable in cash, except that the new notes will bear interest at a rate of 15% for the period from July 29, 2009 through and including September 30, 2009. In addition, we are permitted to pay the interest payable on the new notes for the initial interest payment period in the form of cash, by capitalizing such interest and adding it to the principal amount of the new notes or a combination of both cash and such capitalization of interest, at our option. Notwithstanding the foregoing, to the extent we pay the interest payable on the notes on October 1, 2009 in cash, then we will, at our option, be required to either (i) pay interest on the new notes in cash at a rate of 13⅛% for the initial interest payment period or (ii) pay interest on the new notes by capitalizing such interest and adding it to the principal amount of the new notes at a rate of 17% per annum for the initial interest payment period. We currently intend to make interest payments due on October 1, 2009 on the new notes by capitalizing such interest and adding it to the principal amount of the new notes.

The indenture governing the new notes limits, among other things, our ability to incur additional indebtedness, issue certain preferred stock, repurchase our capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restrictions on the ability of our subsidiaries to make distributions or transfer assets to us and enter into transactions with affiliates.

The indenture on the new notes also restricts our ability to pay dividends on or repurchase our common stock under certain circumstances.

During the three and six months ended June 30, 2009, we repurchased $12.0 million and $19.9 million, respectively, in aggregate principal amount of the notes for an aggregate purchase price of $4.1 million and $6.3 million, respectively, in cash. In addition, for the three and six months ended June 30, 2009, we repaid $6.3 million of principal under the term loan A facility of our credit facility and for the three and six months ended June 30, 2009, we repaid $2.8 million and $6.1 million, respectively, of principal under the term loan B facility of our credit facility. In total, we retired $21.1 million and $32.3 million of outstanding debt during the three and six months ended June 30, 2009, respectively.

Our ability to service our indebtedness will depend on our ability to generate sufficient cash in the future. Scheduled amortization payments began on the term loan A facility of our credit facility in 2009 and will begin on the term loan B facility of our credit facility in 2010 and on the delayed draw facility in 2011. No principal payments are due on the notes prior to their maturity. We will need to refinance all or a portion of our indebtedness on or before maturity and may not be able to refinance our indebtedness on commercially reasonable terms or at all.

Net cash provided by operating activities was $27.7 million and $50.3 million for the six months ended June 30, 2009 and 2008, respectively.

Net cash used in investing activities was $88.9 million and $86.6 million for the six months ended June 30, 2009 and 2008, respectively. These cash flows primarily reflect capital expenditures of $90.1 million and $98.3 million for the six months ended June 30, 2009 and 2008, respectively. Net cash used in investing activities also includes acquired cash of $11.6 million for the six months ended June 30, 2008.

Net cash provided by financing activities was $71.8 million and $47.4 million for the six months ended June 30, 2009 and 2008, respectively. For the six months ended June 30, 2009, net proceeds from FairPoint's issuance of long term debt were $50.0 million, repayment of long term debt was $18.7 million and dividends to stockholders was $23.0 million. Additionally, $65.1 million was released from restricted cash during the six months ended June 30, 2009.

We expect our capital expenditures will be approximately $190 million to $210 million in 2009. We anticipate that we will fund these expenditures through cash flows from operations and cash on hand.

We expect our contributions to our employee pension plans and post-retirement medical plans will be approximately $0.6 million in 2009.

As a condition to the approval of the merger and related transactions by state regulatory authorities, we have agreed to make capital expenditures following the completion of the merger. As a condition to the approval of the transactions by the state regulatory authority in Maine, we agreed that, following the closing of the merger, we will make capital expenditures in Maine during the first three years after the closing of $48 million in the first year and an average of $48 million in the first two years and an average of $47 million in the first three years. We are also required to expend over a five year period not less than $40 million on equipment and infrastructure to expand the availability of broadband services in Maine, which is expected to result in capital expenditures in Maine in excess of the minimum capital expenditure requirements described above.

The order issued by the state regulatory authority in Vermont also requires us to make capital expenditures in Vermont during the first three years after the closing of the merger in the amount of $41 million for the first year and averaging $40 million per year in the first two years and averaging $40 million per year in the first three years following the closing. Pursuant to the Vermont order, we are required to remove double poles in Vermont, make service quality improvements and address certain broadband build-out commitments under a performance enhancement plan in Vermont, using, in the case of double pole removal, $6.7 million provided by the Verizon Group and, in the case of service quality improvements under the performance enhancement plan, $25 million provided by the Verizon Group. In Vermont we have also agreed to certain broadband build-out milestones that require us to reach 100% broadband availability in 50% of our exchanges in Vermont, which could result in capital expenditures of $44 million over such period in addition to the minimum capital expenditures required by the Vermont order as set forth above.

We are also required to make capital expenditures in New Hampshire of at least $52 million during each of the first three years after the closing of the merger and $49 million during each of the fourth and fifth years after the closing of the merger. The amount of any shortfall in any year must be expended in the following year, and the amount of any excess in any year may be deducted from the amount required to be expended in the following year. If any shortfall in any year exceeds $3 million, then the amount that we are required to spend in the following year shall be increased by 150% of the amount of such shortfall. If there is any shortfall at the end of the fifth year after the closing of the merger, we will be required to spend 150% of the amount of such shortfall at the direction of the New Hampshire Public Utilities Commission (the "NHPUC"). The NHPUC may require that a portion of these increased capital expenditures be directed toward state programs rather than invested in our assets. We are required to spend at least $56.4 million over the 60-month period following the closing of the merger on broadband infrastructure in New Hampshire, which is expected to result in capital expenditures in New Hampshire in excess of the minimum capital expenditure requirements described above.

We also have the availability of $49.2 million contributed to us by the Verizon Group, and $1.1 million in interest earned thereon, to make capital and operating expenditures in New Hampshire in addition to those described above for unexpected infrastructure improvements proposed by us and approved by the NHPUC. These funds were reflected on the Company's March 31, 2009 balance sheet as restricted cash to be used only in accordance with a settlement agreement dated as of January 23, 2008, with certain affiliates of Verizon and the staff of the NHPUC. During the three months ended June 30, 2009, we requested that these funds be made available for general working capital purposes. By letter, dated as of May 12, 2009, the NHPUC approved our request, conditioned upon our commitment to invest funds on certain NHPUC approved network improvements in New Hampshire on the following schedule: $15 million by the end of 2010, an additional $20 million by the end of 2011 and an additional $30 million by the end of 2012. This investment commitment is inclusive of the $50 million previously required by the NHPUC.

Additionally, the orders issued by the state regulatory authorities in Maine, New Hampshire and Vermont in connection with their approval of the merger include a requirement that we pay the greater of $45 million or 90% of our free cash flow (defined as the cash flow remaining after all operating expenses, interest payments, tax payments, capital expenditures, dividends and other routine cash expenditures have occurred) annually to reduce the principal amount of our indebtedness, until certain financial ratio tests have been satisfied.

On January 30, 2009, we entered into the transition agreement with Verizon in connection with the cutover of certain back office systems, as contemplated by the transition services agreement. The transition services agreement and related agreements had required us to make payments totaling approximately $45.4 million to Verizon in the first quarter of 2009, including a one-time fee of $34.0 million due at cutover, with the balance related to the purchase of certain internet access hardware. The settlement set forth in the transition agreement resulted in a $22.7 million improvement in our cash flow for the six months ended June 30, 2009.

Summary of Contractual Obligations

The tables set forth below contain information with regard to disclosures about contractual obligations and commercial commitments.

The following table discloses aggregate information about our contractual obligations as of June 30, 2009 and the periods in which payments are due:

	Payments Due by Period				
	Total	Less Than 1 Year	1–3 Years	3–5 Years	More Than 5 Years
			(in thousands)		
Long term debt, including current maturities(a)(b)	$2,498,710	$ 45,000	$110,375	$410,100	$1,933,235
Interest payments on long term debt obligations(c)	991,992	205,886	359,069	319,595	107,442
Capital lease obligations	11,543	3,085	4,404	3,182	872
Operating leases	49,349	11,735	17,455	11,933	8,226
Total projected contractual obligations	$3,551,594	$265,706	$491,303	$744,810	$2,049,775

(a) Includes $531.1 million of the notes. See note 9 to the "Condensed Consolidated Financial Statements" for more information.

(b) As a result of the events of default described in note 1 to the condensed consolidated financial statements, we have classified our obligations under the credit facility and the notes as current liabilities as of June 30, 2009.

(c) Excludes amortization of estimated capitalized debt issuance costs.

The following table discloses aggregate information about our derivative financial instruments as of June 30, 2009, including the source of fair value of these instruments and their maturities.

	Fair Value of Contracts at Period End				
	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
	(Dollars in thousands)				
Source of fair value:					
Derivative financial instruments(1)(2)	$(62,824)	(43,438)	(19,077)	(309)	—

(1) Fair value of interest rate swaps at June 30, 2009 is based on information provided by the counterparties in order to compute the value of the underlying contracts using consistent methodologies. These market values were then discounted for the Company's risk of non-performance, which is represented by the market spread on our debt as of June 30, 2009. See note 8 to the "Condensed Consolidated Financial Statements" for more information.

(2) As a result of the events of default described in note 1 to the condensed consolidated financial statements, we have classified our obligations under the swaps as current liabilities as of June 30, 2009.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As of June 30, 2009, approximately 76% of our indebtedness bore interest at fixed rates or effectively at fixed rates. As of June 30, 2009, we had total debt of $2,488 million, net of discount of $10.1 million, consisting of both fixed rate and variable rate debt with interest rates ranging from 2.938% to 13.125% per annum, including applicable margins. As of June 30, 2009, the fair value of our debt was approximately $1,056 million, net of discount of $10.1 million. Our term loan A facility and revolver mature in 2014, our term loan B facility and delayed draw term loan mature in 2015 and the notes mature in 2018.

We use variable and fixed-rate debt to finance our operations, capital expenditures and acquisitions. The variable rate debt obligations expose us to variability in interest payments due to changes in interest rates. We believe it is prudent to limit the variability of a portion of our interest payments. To meet this objective, from time to time, we enter into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps effectively change the variable rate on the debt obligations to a fixed rate. Under the terms of the interest rate swaps, we make a payment if the variable rate is below the fixed rate, or we receive a payment if the variable rate is above the fixed rate. Pursuant to our credit facility, we are required to reduce the risk of interest rate volatility with respect to at least 50% of our term loan borrowings.

The chart below provides details of each of our interest rate swap agreements.

Effective Date:	Notional Amount	Rate	Rate, including applicable margin	Expiration Date
February 8, 2005	$130.0 Million	4.11%	6.86%	December 31, 2009
April 29, 2005	$50.0 Million	4.72%	7.47%	March 31, 2012
June 30, 2005	$50.0 Million	4.69%	7.44%	March 31, 2011
June 30, 2006	$50.0 Million	5.36%	8.11%	December 31, 2009
December 31, 2007	$65.0 Million	4.91%	7.66%	December 30, 2011
December 31, 2007	$75.0 Million	5.46%	8.21%	December 31, 2010
December 31, 2008	$100.0 Million	5.02%	7.77%	December 31, 2010
December 31, 2009	$150.0 Million	5.65%	8.40%	December 31, 2011
June 30, 2008	$100.0 Million	4.99%	7.74%	December 30, 2010
June 30, 2008	$100.0 Million	4.95%	7.70%	June 30, 2010
June 30, 2008	$100.0 Million	5.45%	8.20%	December 31, 2010
June 30, 2008	$100.0 Million	5.30%	8.05%	December 30, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
December 31, 2010	$300.0 Million	4.49%	7.24%	December 31, 2012
June 30, 2008	$250.0 Million	3.25%	6.00%	December 31, 2010

At June 30, 2009, the fair market value of these swaps is a net liability of approximately $62.8 million, all of which has been included in current liabilities due to the event of default described in note 1 to the condensed consolidated financial statements.

We do not hold or issue derivative financial instruments for trading or speculative purposes.

We are also exposed to market risk from changes in the fair value of our pension plan assets. For the six months ended June 30, 2009, the actual gain on the pension plan assets has been approximately 0.7%. Net periodic benefit cost for 2009 assumes a weighted average annualized expected return on plan assets of approximately 8.3%. Should our actual return on plan assets continue to be significantly lower than our expected return assumption, our net periodic benefit cost will increase in future periods and we may be required to contribute additional funds to our pension plans after 2009.

Item 4. Controls and Procedures (Restated).

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

At the time of the Original Filing, our principal executive officer and principal financial officer concluded that our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) were effective as of June 30, 2009. Subsequent to that evaluation, as a result of the restatement described in the "Explanatory Note" and note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 1, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were not effective as of June 30, 2009 because of the material weaknesses described below.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in the reporting company's annual or interim financial statements will not be prevented or detected on a timely basis. In connection with our fiscal 2009 year-end reconciliation and closing procedures, we determined that the restatement described in the "Explanatory Note" and note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 1 was necessary. As a result of identifying this matter, we re-evaluated our internal controls over financial reporting and have concluded that the following material weaknesses existed during 2009:

1. Our information technology controls were not adequate. Adequate testing was not performed to ensure that certain revenue transactions were properly accounted for and transferred from our billing system to our general ledger. Also, access to our information systems was not appropriately restricted.
2. Our management oversight and review procedures designed to monitor the accuracy of period-end accounting activities were ineffective. Specifically, our account reconciliation processes were not adequate to properly identify and resolve discrepancies between our billing system and our general ledger in a timely manner. In addition, control weaknesses existed relating to revenue, operating expenses, accounts receivable, fixed assets and income taxes.

Management's Remediation of the Material Weaknesses

Effective in February 2010, our management believes that it has corrected the primary issues that led to the restatement. Specifically, we have:

1. Corrected the billing system settings so that they properly transfer the identified transactions to the general ledger; and
2. Enhanced our account reconciliation and review procedures to detect this type of error on a timely basis in the future.

We believe these measures and other planned process improvements will adequately remediate the material weaknesses described above and will strengthen our internal controls over financial reporting. We are committed to continuing to improve our internal control processes and will continue to review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may identify additional measures to address these material weaknesses or determine to modify certain of the remediation procedures described above. Our management, with the oversight of the audit committee of our board of directors, will continue to assess and take steps to enhance the overall design and capability of our control environment in the future.

Changes in Internal Control Over Financial Reporting

In connection with the merger, we have significantly expanded our internal control over financial reporting in order to encompass the new internal control structure associated with our Northern New England operations. Accordingly, we have developed a significant number of new processes, systems and related controls governing various aspects of our financial reporting process, particularly relating to our Northern New England operations and the consolidation of our Northern New England operations with Legacy FairPoint's operations. The processes we have developed include, but are not limited to, information technology, order provisioning, customer billing, payment processing, credit and collections, inventory management, accounts payable, payroll, human resource administration, tax, general ledger accounting and external reporting.

With the exception of the foregoing, there have been no changes in our internal control over financial reporting during the quarter ended June 30, 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We do note however that subsequent to the quarter ended June 30, 2009, we implemented the remediation described above to address the material weaknesses in our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in litigation and regulatory proceedings arising out of our operations. Management believes that we are not currently a party to any legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on our financial position or results of operations.

We are subject to certain service quality requirements in the states of Maine, New Hampshire and Vermont. Failure to meet these requirements in any of these states may result in penalties being assessed by the appropriate state regulatory body. As of June 30, 2009, we have recognized an estimated liability for service quality penalties based on historical assessments. However, additional penalties may be assessed as a result of service quality issues related to the systems cutover, which could have a material adverse effect on our financial position, results of operations and liquidity.

Item 1A. Risk Factors (Restated).

(a) The following risk factors are added to the risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by "Part II—Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2009, under the heading "Risks Related to Our Business."

If we are unable to consummate a successful restructuring of our notes, we will consider all other restructuring alternatives available to us, which may include a chapter 11 proceeding. A chapter 11 proceeding may result in a protracted process which could disrupt our business, divert the attention of our management from the operation of our business and the implementation of our business plan and may ultimately be unsuccessful.

If we are unable to consummate the restructuring plan we are developing which contemplates an out-of-court restructuring, any alternative restructuring plan we pursue may include a chapter 11 proceeding. Such a proceeding would likely take substantially longer to consummate and would also require confirmation by the bankruptcy court and would be subject to contested issues and objections from certain stakeholders, which would result in further delay. A protracted restructuring would disrupt our business and would divert the attention of our management from the operation of our business and implementation of our business plan.

The uncertainty surrounding a prolonged restructuring would also have other adverse effects on us. For example, it would also adversely affect:

- our ability to raise additional capital;
- our ability to capitalize on business opportunities and react to competitive pressures;
- our ability to attract and retain employees;
- our liquidity;
- our relationships with key suppliers (which may result in suppliers attempting to cancel our contracts or restrict ordinary credit terms, requiring upfront payments or financial assurances of performance or refraining entirely from shipping goods);
- our ability to enter into long term contracts with customers;
- how our business is viewed by customers, regulators, investors, lenders and credit ratings agencies;

- the amount of collateral required in the transaction of our business; and
- our enterprise value.

Moreover, the mere filing of a "bankruptcy case," even one pursuant to a pre-arranged plan, would have an adverse effect on our business and operations.

Furthermore, in order to successfully emerge from a chapter 11 proceeding, we would need to develop, and obtain requisite court and creditor approval of a viable chapter 11 plan of reorganization (the "chapter 11 plan"). If we were unable to obtain creditor acceptance of the chapter 11 plan or court approval of the chapter 11 plan, it is unclear whether we would be able to reorganize our business and what, if any, distributions to holders of claims against us would ultimately receive with respect to their claims.

We have identified material weaknesses in our internal controls over financial reporting which existed as of June 30, 2009. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

As discussed in "Part I—Item 4.Controls and Procedures," in connection with the restatement, we concluded that the following material weaknesses in our internal controls over financial reporting existed as of June 30, 2009:

- Our information technology controls were not adequate to ensure that all revenue transactions were properly accounted for and transferred from our billing system to our general ledger; and
- Our account reconciliation processes did not properly identify and resolve the resulting discrepancies between our billing system and our general ledger.

As a result of these material weaknesses, our management concluded that our disclosure controls were not effective as of June 30, 2009. Effective in February 2010, our management has taken steps to remediate the issues that led to the restatement. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

(b) The risk factor presented below amends and restates the corresponding risk factor previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by "Part II—Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2009.

We will be exposed to risks relating to evaluations of internal control systems required by Section 404 of the Sarbanes-Oxley Act.

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act and the related rules and regulations of the SEC, including accelerated reporting requirements and expanded disclosures regarding evaluations of internal control systems. We are also required to furnish a report by our management each year on our internal control over financial reporting. With respect to internal control over financial reporting, standards established by the Public Company Accounting Oversight Board define a material weakness as a deficiency in internal controls over financial reporting that results in a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. If our management identifies one or more material weaknesses in internal control over financial reporting in the future in accordance with the annual assessments and quarterly evaluations required by the Sarbanes-Oxley Act, we will be unable to assert that our internal controls are effective which could result in sanctions or investigation by regulatory authorities. In addition, any such material weakness could result in material misstatements in our financial statements and cause investors to lose confidence in our reported financial information.

We note that we have identified material weaknesses in our internal controls over financial reporting which existed as of June 30, 2009, which material weaknesses are discussed in greater detail in "Part I—Item 4.Controls and Procedures" and "*—We have identified material weaknesses in our internal controls over financial reporting which existed as of June 30, 2009. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.*"

There have been no other material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008 and supplemented by our Quarterly Report on Form 10-Q for the quarterly period ending March 31, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On July 1, 2009, we awarded David L. Hauser, our chairman and chief executive officer, options to purchase 1,600,000 shares of our common stock (the "stock options") and 523,810 restricted shares of our common stock (the "restricted shares"), pursuant to an employment agreement we entered into with Mr. Hauser on June 11, 2009. The stock options were granted at an exercise price of $0.95 and will vest in three annual installments, beginning on July 1, 2010. The restricted stock will vest on July 1, 2012. The vesting of the stock options and the restricted stock is contingent upon Mr. Hauser's continued employment with us.

We did not receive any proceeds in connection with the issuance of the stock options and the restricted stock to Mr. Hauser. The stock options and the restricted stock were issued pursuant to an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities (Restated).

See note 1 to the condensed consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders.

We held our annual meeting of stockholders on June 3, 2009. As of the record date for the annual meeting, there were 89,496,847 shares of our common stock outstanding. Below is a summary of the proposals voted on at the annual meeting and the outcome of such vote with respect to each proposal.

1. The proposal to elect Patricia Garrison-Corbin, Eugene B. Johnson and Robert A. Kennedy to our board of directors to serve as class I directors whose term will expire in 2012 was approved with Ms. Garrison-Corbin and Messrs. Johnson and Kennedy receiving the following votes:

	Votes For	Votes Against
Patricia Garrison-Corbin	70,496,219	4,489,004
Eugene B. Johnson	68,882,569	6,102,654
Robert A. Kennedy	70,662,051	4,323,172

David L. Hauser, Jane E. Newman and Michael R. Tuttle continued as our directors, serving until the 2010 annual meeting, and Claude C. Lilly, Robert S. Lilien and Thomas F. Gilbane, Jr. continued as our directors, serving until the 2011 annual meeting.

2. The proposal to ratify the appointment of Ernst & Young LLP as our independent registered accounting firm for the fiscal year ending December 31, 2009 was approved with 73,140,240 votes for, 1,478,608 votes against and 366,375 abstentions.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits (Restated).

The exhibits filed as part of this Quarterly Report are listed in the index to exhibits immediately preceding such exhibits, which index to exhibits is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized, and the undersigned also has signed this Quarterly Report in her capacity as the Registrant's Principal Financial Officer.

FAIRPOINT COMMUNICATIONS, INC.

Date: April 30, 2010

By: /s/ LISA R. HOOD

Name: Lisa R. Hood
Title: *Senior Vice President and Corporate Controller, Interim Chief Financial Officer*

Exhibit Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of January 15, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of April 20, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.3	Amendment No. 2 to the Agreement and Plan of Merger, dated as of June 28, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(2)
2.4	Amendment No. 3 to the Agreement and Plan of Merger, dated as of July 3, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(3)
2.5	Amendment No. 4 to the Agreement and Plan of Merger, dated as of November 16, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(4)
2.6	Amendment No. 5 to the Agreement and Plan of Merger, dated as of February 25, 2008, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(5)
2.7	Distribution Agreement, dated as of January 15, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.8	Amendment No. 1 to Distribution Agreement, dated as of March 30, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.9	Amendment No. 2 to Distribution Agreement, dated as of June 28, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.10	Amendment No. 3 to Distribution Agreement, dated as of July 3, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.11	Amendment No. 4 to Distribution Agreement, dated as of February 25, 2008, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(5)
2.12	Amendment No. 5 to the Distribution Agreement, dated as of March 31, 2008, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(6)
2.13	Transition Services Agreement, dated as of January 15, 2007, by and among Verizon Information Technologies LLC, Northern New England Telephone Operations Inc., Enhanced Communications of Northern New England Inc. and FairPoint.(1)
2.14	Amendment No. 1 to the Transition Services Agreement, dated as of March 31, 2008, by and among FairPoint, Northern New England Telephone Operations LLC, Enhanced Communications of Northern New England Inc. and Verizon Information Technologies LLC(6)
2.15	Master Services Agreement, dated as of January 15, 2007, by and between FairPoint and Capgemini U.S. LLC.(1)
2.16	Amendment No. 1 to Master Services Agreement, dated as of July 6, 2007, by and between FairPoint and Capgemini U.S. LLC.(3)
2.17	Amendment No. 2 to Master Services Agreement, dated as of February 25, 2008, by and between FairPoint and Capgemini U.S. LLC.(5)
2.18	Letter Agreement, dated as of January 17, 2008, by and between FairPoint and Capgemini U.S. LLC.(7)

Exhibit No.	Description
2.19	Amendment to Letter Agreement, dated as of February 28, 2008, by and between FairPoint and Capgemini U.S. LLC.(8)
2.20	Employee Matters Agreement, dated as of January 15, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.21	Tax Sharing Agreement, dated as of January 15, 2007, by and among FairPoint, Verizon Communications Inc. and Northern New England Spinco Inc.(9)
2.22	Partnership Interest Purchase Agreement, dated as of January 15, 2007, by and among Verizon Wireless of the East LP, Cellco Partnership d/b/a Verizon Wireless and Taconic Telephone Corp.(10)
2.23	Joinder Agreement, dated as of April 5, 2007, by and among Warwick Valley Telephone Company, Taconic Telephone Corp., Cellco Partnership d/b/a Verizon Wireless and Verizon Wireless of the East LP.(10)
2.24	Publishing Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.25	Branding Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.26	Non-Competition Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.27	Listing License Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.28	Intellectual Property Agreement, dated as of March 31, 2008, by and between FairPoint and Verizon Communications Inc.(6)
2.29	Transition Period Trademark License Agreement, dated as of March 31, 2008, by and between FairPoint and Verizon Communications Inc.(6)
2.30	Transition Agreement, dated as of January 30, 2009, by and among Verizon Communications Inc., Verizon New England Inc., Verizon Information Technologies LLC, FairPoint, Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Enhanced Communications of Northern New England Inc.(11)
3.1	Eighth Amended and Restated Certificate of Incorporation of FairPoint.(12)
3.2	Amended and Restated By Laws of FairPoint.(12)
4.1	Indenture, dated as of March 6, 2003, by and between FairPoint and The Bank of New York, relating to FairPoint's $225,000,000 11⅞% Senior Notes due 2010.(13)
4.2	Supplemental Indenture, dated as of January 20, 2005, by and between FairPoint and The Bank of New York, amending the Indenture dated as of March 6, 2003 between FairPoint and The Bank of New York.(12)
4.3	Form of Initial Senior Note due 2010.(13)
4.4	Form of Exchange Senior Note due 2010.(13)
4.5	Indenture, dated as of March 31, 2008, by and between Northern New England Spinco Inc. and U.S. Bank National Association.(6)
4.6	First Supplemental Indenture, dated as of March 31, 2008, by and between FairPoint Communications, Inc. and U.S. Bank National Association.(6)

Exhibit No.	Description
4.7	Second Supplemental Indenture, dated as of July 29, 2009, by and between FairPoint Communications, Inc. and U.S. Bank National Association.(14)
4.8	Registration Rights Agreement, dated as of March 31, 2008, by and among FairPoint Communications, Inc., Banc of America Securities LLC, Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated.(6)
4.9	Form of 13⅛% Senior Note due 2018 (included in Exhibit 4.6).(6)
4.10	Indenture, dated as of July 29, 2009, by and between FairPoint Communications, Inc. and U.S. Bank National Association.(14)
4.11	Form of 13⅛% Senior Note due 2018 (included in Exhibit 4.10).(14)
10.1	Credit Agreement, dated as of March 31, 2008, by and among FairPoint, Northern New England Spinco Inc., Bank of America, N.A, as syndication agent, Morgan Stanley Senior Funding, Inc. and Deutsche Bank Securities Inc., as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent and lenders party thereto.(6)
10.2	Amendment, Waiver, Resignation and Appointment Agreement, dated as of January 21, 2009, by and among FairPoint, lenders party thereto, Lehman Commercial Paper Inc. and Bank of America, N.A.(15)
10.3	Subsidiary Guaranty, dated as of March 31, 2008, by and among FairPoint Broadband, Inc., MJD Ventures, Inc., MJD Services Corp., S T Enterprises, Ltd., FairPoint Carrier Services, Inc., FairPoint Logistics, Inc. and Lehman Commercial Paper Inc.(6)
10.4	Pledge Agreement, dated as of March 31, 2008, by and among FairPoint, MJD Ventures, Inc., MJD Services Corp., S T Enterprises, Ltd., FairPoint Carrier Services, Inc., FairPoint Broadband, Inc., FairPoint Logistics, Inc., Enhanced Communications of Northern New England, Inc., Utilities, Inc., C-R Communications, Inc., Comerco, Inc., GTC Communications, Inc., St. Joe Communications, Inc., Ravenswood Communications, Inc., Unite Communications Systems, Inc. and Lehman Commercial Paper Inc.(6)
10.5	Deposit Agreement, dated as of March 31, 2008, by and among Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Lehman Commercial Paper Inc.(6)
10.6	Amended and Restated Tax Sharing Agreement, dated as of November 9, 2000, by and among FairPoint and its Subsidiaries.(16)
10.7	Amended and Restated Employment Agreement, dated as of April 1, 2008, by and between FairPoint and Eugene B. Johnson.(17)
10.8	Employment Agreement, dated as of June 11, 2009, by and between FairPoint and David L. Hauser.(18)
10.9	Registration Rights Letter Agreement, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.10	Change in Control and Severance Agreement, dated as of March 14, 2007, by and between FairPoint and Peter G. Nixon.(19)
10.11	Change in Control and Severance Agreement, dated as of March 14, 2007, by and between FairPoint and Shirley J. Linn.(19)
10.12	Change in Control and Severance Agreement, dated as of September 3, 2008, by and between FairPoint and Alfred C. Giammarino.(20)
10.13	FairPoint Amended and Restated 1998 Stock Incentive Plan.(21)
10.14	FairPoint Amended and Restated 2000 Employee Stock Incentive Plan.(22)

Exhibit No.	Description
10.15	FairPoint 2005 Stock Incentive Plan.(11)
10.16	FairPoint Communications, Inc. 2008 Annual Incentive Plan.(23)
10.17	FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(23)
10.18	Nonqualified Deferred Compensation Adoption Agreement.(11)
10.19	Nonqualified Deferred Compensation Plan Document.(11)
10.20	Form of February 2005 Restricted Stock Agreement.(24)
10.21	Form of Director Restricted Stock Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(25)
10.22	Form of Director Restricted Unit Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(25)
10.23	Form of Non-Director Restricted Stock Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(26)
10.24	Form of Non-Director Restricted Stock Agreement—FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(20)
10.25	Form of Performance Unit Award Agreement 2008-2009 Award (Performance Unit Award, dated as of April 1, 2008, by and between FairPoint and Eugene B. Johnson).(17)
10.26	Form of Performance Unit Award Agreement 2008-2010 Award.(23)
10.27	Form of Performance Unit Award Agreement 2009-2011 Award.(27)
10.28	Form of Director Restricted Unit Agreement—FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(17)
10.29	FairPoint Communications, Inc. Restricted Stock Award Agreement, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.30	FairPoint Communications, Inc. Non-Qualified Stock Option Award Agreement, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.31	FairPoint Communications, Inc. Performance Unit Award Agreement for Performance Period Beginning July 1, 2009 and Ending December 31, 2010, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.32	FairPoint Communications, Inc. Performance Unit Award Agreement for Performance Period Beginning July 1, 2009 and Ending December 31, 2011, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.33	Stipulation filed with the Maine Public Utilities Commission, dated December 12, 2007.(28)
10.34	Amended Stipulation filed with the Maine Public Utilities Commission dated December 21, 2007(6)
10.35	Stipulation filed with the Vermont Public Service Board, dated January 8, 2008.(29)
10.36	Stipulation filed with the New Hampshire Public Utilities Commission, dated January 23, 2008.(7)
10.37	Letter Agreement, dated as of March 30, 2008, by and between the Staff of the New Hampshire Public Utilities Commission and Verizon Communications Inc.(6)
10.38	Letter, dated as of May 12, 2009, from the Staff of the New Hampshire Public Utilities Commission to FairPoint.(18)
14.1	FairPoint Code of Business Conduct and Ethics.(30)

Exhibit No.	Description
14.2	FairPoint Code of Ethics for Financial Professionals.(12)
21	Subsidiaries of FairPoint.(31)
31.1	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†
32.2	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†
99.1	Order of the Maine Public Utilities Commission, dated February 1, 2008.(32)
99.2	Order of the Vermont Public Service Board, dated February 15, 2008.(33)
99.3	Order of the New Hampshire Public Utilities Commission, dated February 25, 2008.(5)

* Filed herewith.

† Pursuant to Securities and Exchange Commission Release No. 33-8238, this certification will be treated as "accompanying" this Quarterly Report on Form 10-Q and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of Section 18 of the Securities Exchange Act of 1934 and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

(1) Incorporated by reference to the Registration Statement on Form S-4 of FairPoint, declared effective as of July 16, 2007.

(2) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 28, 2007.

(3) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on July 9, 2007.

(4) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on November 16, 2007.

(5) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 27, 2008.

(6) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 3, 2008.

(7) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 24, 2008.

(8) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2007.

(9) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 19, 2007.

(10) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 10, 2007.

(11) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2008.

(12) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2004.

(13) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2002.

(14) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on August 3, 2009.

(15) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 22, 2009.

(16) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended September 30, 2000.

(17) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 1, 2008.

(18) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended June 30, 2009.

(19) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on March 19, 2007.

(20) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended September 30, 2008.

(21) Incorporated by reference to the Registration Statement on Form S-4 of FairPoint, declared effective as of August 9, 2000.

(22) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2003.

(23) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 23, 2008.

(24) Incorporated by reference to the Registration Statement on Form S-1 of FairPoint, declared effective as of February 3, 2005.

(25) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 20, 2005.

(26) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on September 23, 2005.

(27) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on March 9, 2009.

(28) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on December 13, 2007.

(29) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 8, 2008.

(30) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2005.

(31) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended March 31, 2008.

(32) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 6, 2008.

(33) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 21, 2008.

Exhibit 31.1

**CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David L. Hauser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
   - (i) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (ii) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   - (iii) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
   - (iv) disclosed in this Quarterly Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):
   - (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2010

/s/ DAVID L. HAUSER

David L. Hauser
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lisa R. Hood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (i) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (ii) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (iii) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   (iv) disclosed in this Quarterly Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

(iii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2010

/s/ LISA R. HOOD

Lisa R. Hood
Interim Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company") for the quarter ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Hauser, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID L. HAUSER

David L. Hauser
Chief Executive Officer

April 30, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company") for the quarter ended June 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lisa R. Hood, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LISA R. HOOD

Lisa R. Hood
Interim Chief Financial Officer

April 30, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT LH-3

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009.

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 333-56365

FairPoint Communications, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**13-3725229** (I.R.S. Employer Identification No.)
521 East Morehead Street, Suite 500 **Charlotte, North Carolina** (Address of Principal Executive Offices)	**28202** (Zip Code)

(704) 344-8150
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2009, there were 90,015,551 shares of the Registrant's common stock, par value $0.01 per share, outstanding.

Documents incorporated by reference: **None**

EXPLANATORY NOTE

FairPoint Communications, Inc. (the "Company") is filing this Amendment No. 1 on Form 10-Q/A (this "Amendment No. 1") to reflect the effect of an accounting error, a one-time non-operating loss related to a disputed claim, and certain billing and other adjustments. On February 23, 2010 the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission (the "SEC") describing such accounting errors and certain billing adjustments. The accounting error and the billing and other adjustments resulted in a $2.2 million understatement and $25.0 million overstatement of revenues for the three and nine months ended September 30, 2009, respectively, a $1.9 million overstatement and $0.2 million understatement of operating expenses for the three and nine months ended September 30, 2009, respectively, and an overstatement of other income for the nine months ended September 30, 2009 of $9.6 million, in each case as reported in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, which was originally filed with the SEC on November 20, 2009 (the "Original Filing"). The restatement of the interim condensed consolidated financial statements contained in this Amendment No. 1 (the "restatement"), which restatement accounts for the foregoing overstatements and understatement, resulted in an increase in net income of $2.1 million and a reduction in net income of $21.8 million, net of income taxes, for the three months and nine months ended September 30, 2009, respectively. The restatement is discussed in more detail in note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 1.

For ease of reference, this Amendment No. 1 amends and restates the Original Filing in its entirety. However, "Part I—Item 1. Financial Statements," "Part I—Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," "Part I—Item 4. Controls and Procedures", "Part II—Item 1A. Risk Factors" and "Part II—Item 6. Exhibits" are the only sections in which revisions to the Original Filing have been made. In addition, as required by Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, the Company's principal executive officer and principal financial officer have provided new Rule 13a-14(a) certifications and Section 1350 certifications in connection with this Amendment No. 1.

The information in this Amendment No. 1 that is not affected by the restatement of the interim condensed consolidated financial statements from the Original Filing remains unchanged and reflects the disclosure at the time of the Original Filing. Therefore, this Amendment No. 1 should be read in conjunction with the Company's other filings made with the SEC subsequent to the Original Filing.

INDEX

		Page
PART I. FINANCIAL INFORMATION		
Item 1.	Financial Statements (Restated)	
	Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008	6
	Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2009 and 2008	7
	Condensed Consolidated Statements of Stockholders' Equity (Deficit) for the nine months ended September 30, 2009	8
	Condensed Consolidated Statements of Comprehensive (Loss) Income for the three and nine months ended September 30, 2009 and 2008	9
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2009 and 2008	10
	Notes to Consolidated Financial Statements	11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated)	57
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	77
Item 4.	Controls and Procedures (Restated)	78
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	81
Item 1A.	Risk Factors (Restated)	82
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	86
Item 3.	Defaults Upon Senior Securities	87
Item 4.	Submission of Matters to a Vote of Security Holders	87
Item 5.	Other Information	87
Item 6.	Exhibits	87
	Signatures	88

PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Quarterly Report are known as "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements may relate to, among other things:

- the potential adverse impact of the Chapter 11 Cases (as defined herein) on our business, including our ability to maintain contracts, trade credit and other customer and vendor relationships;
- our ability to secure additional support from our lenders, our noteholders and state public utilities commissions ("PUCs") for our proposed restructuring plan;
- our ability to obtain court approval of, and to consummate, a plan of reorganization;
- our ability to obtain union concessions;
- future performance generally;
- sources and uses of liquidity;
- restrictions imposed by the agreements governing our indebtedness;
- our ability to satisfy certain financial covenants included in the agreements governing our indebtedness;
- anticipated business development activities and future capital expenditures;
- financing sources and availability, and future interest expense;
- our ability to refinance our indebtedness on commercially reasonable terms, if at all;
- the effects of regulation, including restrictions and obligations imposed by federal and state regulators as a condition to the approval of the Merger (as defined herein);
- material adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial or operational impact, in the markets we serve;
- availability of net operating loss ("NOL") carryforwards to offset anticipated tax liabilities;
- our ability to meet obligations to our company sponsored pension plans;
- our ability to remediate material weaknesses in our internal controls over financial reporting;
- material technological developments and changes in the communications industry, including disruption of our suppliers' provisioning of critical products or services;
- use by customers of alternative technologies;
- availability and levels of regulatory support payments;
- the effects of competition on the markets we serve; and
- changes in accounting assumptions that regulatory agencies, including the Securities and Exchange Commission (the "SEC") may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings.

These forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this Quarterly Report that are not historical facts. When used in this Quarterly Report, the words "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward-looking statements. Because these forward-looking statements involve known and unknown risks and uncertainties, there are important factors that could cause actual results, events or developments to differ materially from those expressed or implied by these forward-looking statements, including our plans, objectives, expectations and intentions and other factors discussed in this Quarterly Report and in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008 and "Part II—Item 1A. Risk Factors" contained in this Quarterly Report. You should not place undue reliance on such forward-looking statements, which are based on the information currently available to us and speak only as of the date on which this Quarterly Report was filed with the SEC. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, your attention is directed to any further disclosures made on related subjects in our subsequent periodic reports filed with the SEC on Forms 10-K, 10-Q and 8-K and Schedule 14A.

Except as otherwise required by the context, references in this Quarterly Report to:

- *"FairPoint Communications" refers to FairPoint Communications, Inc. excluding its subsidiaries;*
- *"FairPoint," the "Company," "our company," "we," "us" or "our" refer to the combined business of FairPoint Communications, Inc. and all of its subsidiaries after giving effect to the merger on March 31, 2008 with Northern New England Spinco Inc. ("Spinco"), a subsidiary of Verizon Communications Inc. ("Verizon"), which transaction is referred to herein as the "Merger";*
- *"Northern New England operations" refers to the local exchange business acquired from Verizon and all of its subsidiaries after giving effect to the Merger;*
- *"Legacy FairPoint" refers to FairPoint Communications, Inc. exclusive of our acquired Northern New England operations; and*
- *"Verizon Northern New England business" refers to the local exchange business of Verizon New England Inc. ("Verizon New England") in Maine, New Hampshire and Vermont and the customers of Verizon and its subsidiaries' (other than Cellco Partnership) (collectively, the "Verizon Group") related long distance and Internet service provider business in those states prior to the Merger.*

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

September 30, 2009 and December 31, 2008

(in thousands, except share data)

	September 30, 2009 (Unaudited) Restated	December 31, 2008
Assets		
Current assets:		
Cash	$ 63,529	$ 70,325
Restricted cash	2,083	8,144
Accounts receivable, net	145,100	175,036
Materials and supplies	30,314	38,694
Other	30,232	28,747
Deferred income tax, net	58,276	31,418
Total current assets	**329,534**	**352,364**
Property, plant and equipment, net	1,976,243	2,013,515
Intangibles assets, net	217,462	234,481
Prepaid pension asset	10,178	8,708
Debt issue costs, net	24,121	26,047
Restricted cash	825	60,359
Other assets	17,533	21,094
Goodwill	595,120	619,372
Total assets	**$3,171,016**	**$3,335,940**
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Current portion of long term debt	$2,505,538	$ 45,000
Current portion of capital lease obligations	2,097	2,231
Accounts payable	130,775	147,778
Dividends payable	—	23,008
Accrued interest payable in cash	39,740	18,844
Accrued interest payable in kind	12,226	—
Interest rate swaps	74,360	41,274
Other non-operating accrued liability	—	19,000
Other accrued liabilities	80,441	72,334
Total current liabilities	**2,845,177**	**369,469**
Long term liabilities:		
Capital lease obligations	6,041	7,522
Accrued pension obligation	50,965	46,801
Employee benefit obligations	246,637	225,840
Deferred income taxes	105,325	154,757
Unamortized investment tax credits	4,930	5,339
Other long term liabilities	16,786	35,492
Long term debt, net of current portion	—	2,425,253
Interest rate swap agreements	—	41,681
Total long-term liabilities	**430,684**	**2,942,685**
Stockholders' equity (deficit):		
Common stock, $0.01 par value, 200,000,000 shares authorized; 90,015,551 and 88,995,572 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	900	890
Additional paid-in capital	726,195	735,719
Retained deficit	(703,989)	(578,319)
Accumulated other comprehensive loss	(127,951)	(134,504)
Total stockholders' equity (deficit)	**(104,845)**	**23,786**
Total liabilities and stockholders' equity (deficit)	**$3,171,016**	**$3,335,940**

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

Three and nine months ended September 30, 2009 and 2008

(Unaudited)

(in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	Restated		Restated	
Revenues	**$ 270,455**	**$328,255**	**$ 854,515**	**$ 955,359**
Operating expenses:				
Cost of services and sales, excluding depreciation and amortization	128,674	152,579	396,940	422,316
Selling, general and administrative expense, excluding depreciation and amortization	118,928	104,679	310,789	270,085
Depreciation and amortization	68,013	60,768	204,740	184,434
Total operating expenses	**315,615**	**318,026**	**912,469**	**876,835**
Income (loss) from operations	**(45,160)**	**10,229**	**(57,954)**	**78,524**
Other income (expense):				
Interest expense	(56,874)	(49,665)	(165,162)	(109,310)
Gain (loss) on derivative instruments	(11,536)	(5,014)	8,595	38,109
Gain on early retirement of debt	—	—	12,357	—
Other	214	2,165	6,433	3,415
Total other expense	(68,196)	(52,514)	(137,777)	(67,786)
Income (loss) before income taxes	(113,356)	(42,285)	(195,731)	10,738
Income tax (expense) benefit	38,154	17,176	70,061	(3,190)
Net income (loss)	**$ (75,202)**	**$ (25,109)**	**$(125,670)**	**$ 7,548**
Weighted average shares outstanding:				
Basic	89,366	88,999	89,235	71,358
Diluted	89,366	88,999	89,235	72,773
Earnings per share:				
Basic	$ (0.84)	$ (0.28)	$ (1.41)	$ 0.11
Diluted	(0.84)	(0.28)	(1.41)	0.10

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Deficit)

Nine months ended September 30, 2009

(Unaudited)

(in thousands)

	Common Stock		Additional paid-in capital	Retained deficit	Accumulated other comprehensive income (loss)	Total stockholders' equity (deficit)
	Shares	Amount				
Balance at December 31, 2008	88,996	$890	$735,719	$(578,319)	$(134,504)	$ 23,786
Net loss (restated)	—	—	—	(125,670)	—	(125,670)
Issuance of 2008 Interim Awards	502	5	(5)	—	—	—
Issuance of restricted shares	524	5	(5)	—	—	—
Forfeiture of restricted shares	(6)	—	—	—	—	—
Net assets contributed back to Verizon	—	—	(11,084)	—	—	(11,084)
Stock based compensation expense	—	—	1,570	—	—	1,570
Employee benefit adjustment to comprehensive income	—	—	—	—	6,553	6,553
Balance at September 30, 2009 (restated)	90,016	$900	$726,195	$(703,989)	$(127,951)	$(104,845)

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive (Loss) Income

Three and nine months ended September 30, 2009 and 2008

(Unaudited)

(in thousands)

	Three Months ended September 30,		Nine Months ended September 30,	
	2009	2008	2009	2008
Net (loss) income (restated)	**$(75,202)**	**$(25,109)**	**$(125,670)**	**$7,548**
Other comprehensive income, net of taxes:				
Defined benefit pension and post-retirement plans (net of $1.3 million and $3.4 million taxes, respectively)	3,267	—	6,553	—
Total other comprehensive income	**3,267**	—	**6,553**	—
Comprehensive (loss) income (restated)	**$(71,935)**	**$(25,109)**	**$(119,117)**	**$7,548**

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

Nine months ended September 30, 2009 and 2008

(Unaudited)

(in thousands)

	Nine months ended September 30,	
	2009	2008
	Restated	
Cash flows from operating activities:		
Net (loss) income	$(125,670)	$ 7,548
Adjustments to reconcile net income to net cash provided by operating activities excluding impact of acquisitions:		
Deferred income taxes	(72,175)	15,354
Provision for uncollectible revenue	40,297	13,004
Depreciation and amortization	204,740	184,434
Non-cash interest expense	31,137	—
SFAS 106 post-retirement accruals	25,350	33,762
Gain on derivative instruments	(8,595)	(38,109)
Gain on early retirement of debt, excluding cash fees	(12,477)	—
Other non cash items	11,616	(26,382)
Changes in assets and liabilities arising from operations:		
Accounts receivable	(9,625)	(37,670)
Prepaid and other assets	3,243	2,838
Accounts payable and accrued liabilities	(49,953)	(106,576)
Accrued interest payable	20,896	—
Other assets and liabilities, net	(4,687)	4,244
Other	—	(16,221)
Total adjustments	179,767	28,678
Net cash provided by operating activities	54,097	36,226
Cash flows from investing activities:		
Acquired cash balance, net	—	11,401
Net capital additions	(130,122)	(189,234)
Net proceeds from sales of investments and other assets	1,246	2,154
Net cash used in investing activities	(128,876)	(175,679)
Cash flows from financing activities:		
Loan origination costs	(2,153)	(29,238)
Proceeds from issuance of long term debt	50,000	1,930,000
Repayments of long term debt	(20,848)	(687,491)
Contributions from Verizon	—	373,590
Restricted cash	65,595	(80,436)
Repayment of capital lease obligations	(1,615)	(1,938)
Dividends paid to stockholders	(22,996)	(1,196,963)
Net cash provided by financing activities	67,983	307,524
Net increase (decrease) in cash	(6,796)	168,071
Cash, beginning of period	70,325	—
Cash, end of period	$ 63,529	$ 168,071
Supplemental disclosure of cash flow information:		
Non-cash equity consideration	—	316,290
Non-cash issuance of senior notes	18,911	551,000
Capital additions included in accounts payable	16,608	—

See accompanying notes to condensed consolidated financial statements (unaudited)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) Restatement of Financial Statements

The Company is restating its previously issued interim consolidated financial statements included in the Original Filing to reflect the effect of an accounting error resulting from a deficiency in the transfer of certain known customer billing adjustments from the Company's billing platform to its general ledger, a one-time non-operating loss related to a disputed claim, as well as certain other adjustments. This error and these adjustments resulted in a $2.2 million understatement and a $25.0 million overstatement of revenues for the three and nine months ended September 30, 2009, respectively, a $1.9 million overstatement and $0.2 million understatement of operating expenses for the three and nine months ended September 30, 2009, respectively, and an overstatement of other income for the nine months ended September 30, 2009 of $9.6 million, in each case as reported in the Original Filing. The restatement of the interim condensed consolidated financial statements contained in this Amendment No. 1, which restatement accounts for the foregoing overstatements and understatement, resulted in an increase in net income of $2.1 million and a reduction in net income of $21.8 million, net of income taxes, for the three and nine months ended September 30, 2009, respectively. The revisions applied to the affected individual line items in the interim condensed consolidated financial statements are summarized as follows:

Condensed Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 2009	
	As previously reported	As restated
Assets		
Accounts receivable, net	179,748	145,100
Total current assets	364,182	329,534
Property, plant, and equipment, net	1,976,453	1,976,243
Total assets	3,205,874	3,171,016
Liabilities and Stockholders' Equity (Deficit)		
Deferred income taxes	118,411	105,325
Total long-term liabilities	443,770	430,684
Retained deficit	(682,217)	(703,989)
Total stockholders' equity (deficit)	(83,073)	(104,845)
Total liabilities and stockholders' equity (deficit)	3,205,874	3,171,016

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Restatement of Financial Statements (Continued)

Condensed Consolidated Statements of Operations (in thousands, except per share data)

	Three months ended September 30, 2009		Nine months ended September 30, 2009	
	As previously reported	As restated	As previously reported	As restated
Revenues	268,284	270,455	879,525	854,515
Cost of services and sales, excluding depreciation and amortization	128,550	128,674	396,404	396,940
Selling, general and administrative expense, excluding depreciation and amortization	120,391	118,928	310,789	310,789
Depreciation and amortization	68,570	68,013	205,066	204,740
Total operating expenses	317,511	315,615	912,259	912,469
Income (loss) from operations	(49,227)	(45,160)	(32,734)	(57,954)
Other	214	214	16,071	6,433
Total other expense	(68,196)	(68,196)	(128,139)	(137,777)
Income (loss) before income taxes	(117,423)	(113,356)	(160,873)	(195,731)
Income tax (expense) benefit	40,120	38,154	56,975	70,061
Net income (loss)	(77,303)	(75,202)	(103,898)	(125,670)
Earnings per share, basic	(0.87)	(0.84)	(1.16)	(1.41)
Earnings per share, diluted	(0.87)	(0.84)	(1.16)	(1.41)

Consolidated Statements of Stockholders' Equity (Deficit) (in thousands)

	Nine months ended September 30, 2009	
	As previously reported	As restated
Net loss	(103,898)	(125,670)
Retained deficit	(682,217)	(703,989)
Total stockholders' equity (deficit)	(83,073)	(104,845)

Consolidated Statements of Comprehensive (Loss) Income (in thousands)

	Three months ended September 30, 2009		Nine months ended September 30, 2009	
	As previously reported	As restated	As previously reported	As restated
Net (loss) income	(77,303)	(75,202)	(103,898)	(125,670)
Comprehensive (loss) income	(74,036)	(71,935)	(97,345)	(119,117)

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(1) Restatement of Financial Statements (Continued)

Consolidated Statements of Cash Flow
(in thousands)

	Nine months ended September 30, 2009	
	As previously reported	As restated
Net loss	(103,898)	(125,670)
Deferred income taxes	(59,089)	(72,175)
Depreciation and amortization	205,066	204,740
Accounts receivable	(44,273)	(9,625)
Total adjustments	158,531	179,767
Net cash provided by operating activities	54,633	54,097
Net capital additions	(130,658)	(130,122)
Net cash used in investing activities	(129,412)	(128,876)

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases

Organization and Basis of Financial Reporting

General

FairPoint is a leading provider of communications services in rural and small urban communities, primarily in northern New England, offering an array of services, including local and long distance voice, data, Internet and broadband product offerings, to both residential and business customers. FairPoint is the seventh largest telephone company in the United States based on the number of access lines as of September 30, 2009. FairPoint operates in 18 states with approximately 1.6 million access line equivalents (including voice access lines and high speed data lines, which include DSL, wireless broadband, cable modem and fiber-to-the-premises) as of September 30, 2009.

On March 31, 2008, FairPoint completed the acquisition of Spinco, pursuant to which Spinco merged with and into FairPoint, with FairPoint continuing as the surviving corporation for legal purposes. Spinco was a wholly-owned subsidiary of Verizon and prior to the Merger the Verizon Group transferred certain specified assets and liabilities of the local exchange businesses of Verizon New England in Maine, New Hampshire and Vermont and the customers of the related long distance and Internet service provider businesses in those states to subsidiaries of Spinco. The Merger was accounted for as a "reverse acquisition" of Legacy FairPoint by Spinco under the purchase method of accounting because Verizon stockholders owned a majority of the shares of the consolidated Company following the Merger and, therefore, Spinco is treated as the acquirer for accounting purposes. The financial statements reflect the transaction as if Spinco had issued consideration to FairPoint stockholders. As a result, for the nine months ended September 30, 2008, the statement of operations and the financial information derived from the statement of operations in this Quarterly Report reflect the consolidated financial results of the Company by including the financial results of the Verizon Northern New England business for the three months ended March 31, 2008 and the combined financial results of Spinco and Legacy FairPoint for the six months ended September 30, 2008.

In order to effect the Merger, the Company issued 53,760,623 shares to Verizon stockholders for their interest in Spinco. Accordingly, the number of common shares outstanding, par value, paid in

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

capital and per share information included herein has been retroactively restated to give effect to the Merger.

Historical Verizon Northern New England business

The Verizon Northern New England business, prior to the Merger, was comprised of carved-out components from each of Verizon New England, NYNEX Long Distance Company and Bell Atlantic Communications ("VLD"), Verizon Internet Services Inc. and GTE.Net LLC, ("VOL"), and Verizon Select Services Inc., referred to as VSSI ("VSSI", and together with VLD and VOL, the "Verizon Companies").

Prior to the Merger, financial statements were not prepared for the Verizon Northern New England business, as it was not operated as a separate business. The Verizon Northern New England business financial statements for all periods prior to the Merger have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") using specific information where available and allocations where data was not maintained on a state-specific basis within the Verizon Northern New England business' books and records.

The Verizon Northern New England business financial statements for all periods prior to the Merger include the wireline-related businesses, Internet access, long distance and customer premises equipment services provided by the Verizon Northern New England business to customers in the states of Maine, New Hampshire and Vermont. All significant intercompany transactions have been eliminated. The financial statements prior to the Merger also include the assets, liabilities and expenses related to employees who supported the Verizon Northern New England business, some of whom remained employees of the Verizon Northern New England business following the acquisition of the Verizon Northern New England business by FairPoint rather than becoming employees of FairPoint.

The preparation of financial information related to Verizon New England's, VLD's, VOL's and VSSI's operations in the states of Maine, New Hampshire and Vermont, which are included in the balance sheet and statements of operations of the Verizon Northern New England business for all periods prior to the Merger, was based on the following:

Verizon New England: For the balance sheet, property, plant and equipment, accumulated depreciation, intangible assets, materials and supplies and certain other assets and liabilities were determined based upon state specific records; accounts receivable were allocated based upon applicable billing system data; short term investments, prepaid pension assets, accrued payroll related liabilities and employee benefit obligations were allocated based on employee headcount; and accounts payable were allocated based upon applicable operating expenses. The remaining assets and liabilities were primarily allocated based upon the percentage of the Verizon Northern New England business revenues, operating expenses and headcount to the total revenues, operating expenses and headcount of Verizon New England. For the statements of operations, operating revenues and operating expenses were based on state specific records.

VLD: For the balance sheet, receivables were allocated based on the applicable operating revenues and accounts payable were allocated based on applicable operating expenses. For the statements of operations, operating revenues were determined using applicable billing system data; cost of services and sales and selling, general and administrative expenses were allocated based on the

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

percentage of the Verizon Northern New England business revenues related to the VLD component to the total VLD revenues applied to operating expenses for total VLD.

VOL: For the balance sheet, receivables were allocated based on applicable operating revenues; other current assets were determined using applicable billing system data; accounts payable were allocated based on the applicable operating expenses; and other current liabilities, which consisted of advanced billings, were allocated based on applicable operating revenues. For the statements of operations, operating revenues were determined using applicable billing system data and average access lines in service; cost of services and sales, selling, general and administrative expenses and interest expense were allocated based on the percentage of the Verizon Northern New England business revenues related to the VOL component to the total VOL revenues applied to operating expenses and interest expense for total VOL.

VSSI: For the balance sheet, receivables were allocated based on the applicable operating revenues and accounts payable were allocated based on applicable operating expenses. For the statements of operations, operating revenues were identified using applicable system data; cost of services and sales and selling, general and administrative expenses were allocated based on the percentage of the Verizon Northern New England business revenues related to the VSSI component to the total VSSI revenues applied to operating expenses for total VSSI.

Management believes the allocations used to determine selected amounts in the financial statements are appropriate methods to reasonably reflect the related assets, liabilities, revenues and expenses of the Verizon Northern New England business for periods prior to the Merger.

Filing of Chapter 11 Cases

On October 26, 2009 (the "Petition Date"), FairPoint Communications and all of its direct and indirect subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of title 11 of the United States Code (the "Bankruptcy Code" or "Chapter 11") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The cases are being jointly administered under the caption *In re FairPoint Communications, Inc.*, Case No. 09-16335 (the "Chapter 11 Cases").

Background to the Filing of the Chapter 11 Cases

Overview

On January 15, 2007, the Company entered into an agreement and plan of merger with Verizon and Spinco pursuant to which the Company committed to purchase and assume Verizon's landline operations in Maine, New Hampshire and Vermont (the "Merger Agreement"). The transaction required Verizon to contribute specified assets and liabilities of the local exchange businesses of Verizon New England in Maine, New Hampshire and Vermont to Spinco and the related long distance and internet service provider businesses in those states to subsidiaries of Spinco. After extensive federal and state regulatory review and approval, on March 31, 2008, Spinco was merged with and into the Company, with the Company being the surviving entity in the Merger.

In connection with the Merger, the Company and Spinco entered into a $2.03 billion Credit Facility, as subsequently amended (the "Credit Facility" or "Pre-petition Credit Facility"), and Spinco

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

issued and the Company subsequently assumed $551 million of 13⅛% Senior Notes due 2018 (the "Old Notes"). In consideration of the Merger, Verizon received a $1.16 billion cash payment from Spinco and an additional $551 million in cash from the proceeds of the issuance of the Old Notes. Verizon's stockholders received approximately 54 million shares of the Company's common stock, representing approximately 60.2% of the equity ownership interests in the Company at that time. As a result of the Merger the Company's size, as measured by access lines and revenues, increased approximately fivefold.

Following the acquisition of the Northern New England operations, the Company faced significant short- and long-term challenges, including, among other things (i) integrating the Northern New England operations into that of the Company, (ii) keeping pace with competition from bundled offerings by cable companies, as well as the use of alternative technologies, which are eroding the Company's traditional base of wireline voice customers, (iii) monitoring, repairing and upgrading the existing telecommunications network in the Northern New England operations, while simultaneously building a new state-of-the-art next generation IP based network, and (iv) overcoming the difficulty of transitioning certain back-office functions from Verizon's integrated systems to newly created systems of the Company, which occurred in January 2009 (the "Cutover").

These challenges were made even more difficult by deteriorating market conditions. Although local exchange carriers were the only source of voice communications for many years, more recently local exchange carriers, including the Company, have experienced a decline in the number of access lines in service, primarily due to increased competition from wireless carriers, cable television operators who offer voice services, and internet service providers who offer voice over internet protocol services. Moreover, these competitive challenges were exacerbated by the recent turmoil in the financial markets, which has significantly limited available capital and resulted in a significant decline in the domestic economy in the past year. In addition, the administrative agent under the Pre-petition Credit Facility filed for bankruptcy in October 2008, resulting in the loss of approximately $30.0 million undrawn, available commitments under the Company's revolving credit facility. The Company also believes that the economic decline has reduced consumer spending and contributed to an increase in the rate of decline in access lines and an increase in overdue accounts receivable balances from customers. Additionally, due to the Cutover, the Company incurred higher than anticipated incremental costs and was required to devote significant resources, including management time and attention, to resolving these problems. Finally, the regulatory regimes under which the Company operates limit its flexibility in addressing these problems. As a result of the combined impact of each of these developments, the Company was unable to attain the performance levels it projected at the time of the acquisition of the Northern New England operations.

The inability to achieve the financial performance projections with respect to the Northern New England operations made it impossible for the Company to service its approximately $2.7 billion in debt obligations. Interest costs on the Company's significant debt has absorbed a large portion of its operating cash flow, thereby imposing limitations on the Company's ability to construct its next generation, IP based network which the Company believes will enable it to offer a new suite of IP based services and implement its strategic business plan. The Company believes these are necessary steps to reverse the current downward trend of the Company's revenue and operating cash flows.

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

Initial Out of Court Restructuring Initiatives

As a result of the various factors affecting the Company's financial performance and operations, the Company determined that it may not be in compliance with certain financial covenants in the Credit Facility for the period ended June 30, 2009. Accordingly, as a first step in a restructuring of its capital structure, the Company initiated an offer to exchange (the "Exchange Offer") the Old Notes for new 13⅛% Senior Notes due 2018 (the "New Notes", and together with the Old Notes, the "Notes"). The Exchange Offer was consummated on July 29, 2009. Pursuant to the Exchange Offer, $439.6 million in aggregate principal amount of the Old Notes (which amount was equal to approximately 83% of the then-outstanding Old Notes) were exchanged for the New Notes in the aggregate principal amount of $439.6 million. In addition, pursuant to the terms of the Exchange Offer, an additional $18.9 million in aggregate principal amount of the New Notes were issued to noteholders who tendered their Old Notes in the Exchange Offer as payment for accrued and unpaid interest on the exchanged Old Notes up to, but not including, the July 29, 2009 settlement date of the Exchange Offer (the "Settlement Date").

The New Notes permitted the Company to pay the interest payable on the New Notes for the period from July 29, 2009 through and including September 30, 2009 (the "Initial Interest Payment Period") in the form of cash, by capitalizing such interest and adding it to the principal amount of the New Notes or a combination of both cash and such capitalization of interest, at the Company's option.

Although the Company was able to successfully consummate the Exchange Offer and, as a result, was able to maintain compliance with the financial covenants contained in the Credit Facility for the measurement period ended June 30, 2009, the Exchange Offer did not provide a sufficient reduction in the Company's cash interest expense to prevent a potential breach of the interest coverage ratio maintenance covenant in the Credit Facility for the measurement period ended September 30, 2009. In addition, the Company anticipated that it would be in breach of the leverage ratio maintenance covenant in the Credit Facility as early as the measurement period ended September 30, 2009. Such breaches would have permitted the lenders under the Credit Facility to accelerate the maturity of the loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to the Company. If the lenders under the Credit Facility had exercised such remedies, the Company did not believe that it could refinance the Credit Facility on reasonable terms, or at all, in the then prevailing lending environment.

In order to address these issues, the Company developed an out-of-court restructuring plan (the "Out of Court Restructuring Plan") with the assistance of its financial advisor. The Out of Court Restructuring Plan related to all of the Company's outstanding Notes and was generally designed to (i) reduce the Company's indebtedness and interest expense, (ii) improve the Company's liquidity and financial and operational flexibility in order to allow it to compete more effectively and maximize enterprise value and (iii) help the Company maintain compliance with the maintenance covenants in the Credit Facility. In particular, the Out of Court Restructuring Plan contemplated, among other things, that the holders of Notes would be tendered in exchange for shares of convertible preferred stock in the Company. The Out of Court Restructuring Plan was conditioned on acceptance by 95% of the outstanding holders of the Notes, which was the threshold necessary to sufficiently reduce leverage for purposes of the maintenance covenants in the Credit Facility as well as for liquidity purposes.

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

This effort, however, was unsuccessful for two primary reasons: (1) following lengthy negotiations with substantial holders of the Notes, it became apparent that the minimum tender thresholds could not be met and (2) that the holders of the Notes were unwilling to lend an additional $25 million in funds that would have been necessary to effectively implement the Out of Court Restructuring Plan.

Following unsuccessful negotiations with the holders of the Notes, the Company entered into discussions with certain of the lenders under the Credit Facility. On September 25, 2009, the Company entered into a forbearance agreement (the "Forbearance Agreement") with lenders holding approximately 68% of the loans and commitments outstanding under the Credit Facility (the "Forbearing Lenders"). The Forbearance Agreement permitted the Company to forgo certain principal and interest payments due on September 30, 2009 under the Credit Facility. Further, the Forbearing Lenders agreed to forbear from accelerating the maturity of the loans outstanding under the Credit Facility and from exercising any other remedies thereunder until October 30, 2009 if the Company failed to meet certain interest coverage ratio and leverage ratio covenants contained in the Credit Facility for the period ended September 30, 2009.

In addition, the Company entered into certain forbearance agreements with the counterparties to the ISDA Master Agreement with Wachovia Bank, N.A., dated as of December 12, 2000, as amended and restated as of February 1, 2008, and the ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of February 1, 2005 (collectively, the "Swaps").

Following the execution of the forbearance agreements described above, the Company engaged in extensive negotiations with a steering committee of its prepetition secured lenders (the "Steering Committee") regarding a recapitalization of the Company's significant indebtedness. Subsequently, the Company and the Steering Committee reached agreement on the plan term sheet described herein.

Defaults Under Outstanding Debt Instruments

As a result of the restatement described in note 1, the Company was not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under its Credit Facility for the measurement period ended June 30, 2009, which constitutes an event of default under each of the Credit Facility and the Swaps, and may constitute an event of default under the Notes, in each case at June 30, 2009. The historical disclosure contained below does not take the restatement into account.

The filing of the Chapter 11 Cases constituted an event of default under each of the following debt instruments:

- the indenture governing the New Notes (the "New Indenture");
- the Credit Facility; and
- the Swaps.

Under the terms of the New Indenture, as a result of the filing of the Chapter 11 Cases, all of the outstanding New Notes became due and payable without further action or notice. Under the terms of the Credit Facility, upon the filing of the Chapter 11 Cases, all commitments under the Credit Facility were terminated and all loans (with accrued interest thereon) and all other amounts outstanding under the Credit Facility (including, without limitation, all amounts under any letters of credit) became immediately due and payable. In addition, as a result of the filing of the Chapter 11 Cases, an early

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

termination event occurred under the Swaps. The Company believes that any efforts to enforce payment obligations under such debt instruments are stayed as a result of the filing of the Chapter 11 Cases.

Prior to the filing of the Chapter 11 Cases, the Company failed to make principal and interest payments due under the Credit Facility on September 30, 2009. The failure to make the principal payment on the due date and failure to make the interest payment within five days of the due date constituted events of default under the Credit Facility. An event of default under the Credit Facility permits the lenders under the Credit Facility to accelerate the maturity of the loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to the Company. The occurrence of an event of default under the Credit Facility constituted an event of default under the Swaps. In addition, the Company failed to make payments due under the Swaps on September 30, 2009, which failure resulted in an event of default under the Swaps upon the expiration of a three business day grace period. As such, the Company has classified its obligations under the Credit Facility and the Swaps as current liabilities as of September 30, 2009.

Prior to the filing of the Chapter 11 Cases, the Company also failed to make the October 1, 2009 interest payment on the Notes. The failure to make the interest payment on the Notes constituted an event of default under the Notes upon the expiration of a thirty day grace period. An event of default under the Notes permits the holders of the Notes to accelerate the maturity of the Notes. In addition, the filing of the Chapter 11 Cases constituted an event of default under the New Notes. As these events of default occurred prior to the issuance of the condensed consolidated financial statements, the Company has classified its obligations under the Notes as current liabilities as of September 30, 2009.

Plan Term Sheet

In anticipation of the Chapter 11 Cases, the Debtors entered into a Plan Support Agreement (the "Support Agreement"), dated as of October 25, 2009, with secured lenders (the "Consenting Lenders") holding more than 50% of the outstanding debt under the Credit Facility. Pursuant to the Support Agreement, the Consenting Lenders have agreed, subject to the terms and conditions contained in the Support Agreement, to support the Debtors' proposed financial restructuring (the "Restructuring Plan") described in the FairPoint Communications, Inc. and Affiliates Chapter 11 Plan Term Sheet (the "Plan Term Sheet"), which is attached as an exhibit to the Support Agreement. The Plan Term Sheet, among other things, provides the framework for a comprehensive balance sheet restructuring of the Debtors that would result in the conversion of more than $1.7 billion of debt into equity, consisting of $1.2 billion of debt under the Credit Facility and all of the outstanding Notes.

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

The following is a summary of certain material terms of the Plan Term Sheet.

Credit Facility Claims

Pursuant to the Restructuring Plan, the lenders under the Credit Facility would receive their *pro rata* share of:

- a new $1 billion secured term loan (the "New Term Loan");
- 98% of the Company's newly issued common stock (the "New Common Stock"), subject to dilution by the issuance of securities under an equity incentive plan, the Unsecured Common Stock (as defined herein) and the Unsecured Warrants (as defined herein); *provided*, *however*, that if the holders of unsecured claims against FairPoint Communications (collectively, "FairPoint Communications Unsecured Claims"), including but not limited to the Notes, do not vote as a class to accept the Restructuring Plan, the lenders under the Credit Facility will receive their *pro rata* share of 100% of the New Common Stock, subject to dilution by the issuance of securities under an equity incentive plan; and
- the Company's cash in excess of $40 million on the date the definitive documents of the Restructuring Plan become effective in accordance with their terms (the "Effective Date"), after taking into account all cash payments required to be paid under the Restructuring Plan on and after the Effective Date.

Unsecured Claims Against FairPoint Communications

Pursuant to the Restructuring Plan, if the holders of the FairPoint Communications Unsecured Claims vote as a class to accept the Restructuring Plan, such holders will receive their *pro rata* share of (i) 2% of the New Common Stock (the "Unsecured Common Stock"), subject to dilution by the issuance of securities under an equity incentive plan and the Unsecured Warrants, and (ii) warrants to purchase up to 5% of the New Common Stock, which warrants shall have a seven-year term and be exercisable at a strike price equal to a $2.25 billion total enterprise value (the "Unsecured Warrants"), subject to dilution by the issuance of securities under an equity incentive plan. However, if the holders of FairPoint Communications Unsecured Claims do not vote to accept the Restructuring Plan, holders of FairPoint Communications Unsecured Claims will not receive any distributions under the Restructuring Plan on account of their claims.

Convenience Claims Against The Company

For purposes of the Restructuring Plan, the term "Convenience Claim" would include any FairPoint Communications Unsecured Claims that are (i) allowed in an amount of $10,000 or less or (ii) allowed in an amount greater than $10,000 but which are reduced to $10,000 by an irrevocable written election of the holders of such claims. Each holder of an allowed Convenience Claim would be paid in full in cash.

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

Stockholder Recovery

Pursuant to the Restructuring Plan, the holders of FairPoint Communications' existing common stock will retain no property and receive no recovery from the Company.

Board of Directors

Pursuant to the Restructuring Plan, the reorganized Company would have a nine person board of directors (the "New Board"). Initially, seven of the New Board members will be nominated by the Consenting Lenders, one of the New Board members will be the Company's chief executive officer and one of the New Board members will be nominated by the holders of the Notes if the class of FairPoint Communications Unsecured Claims votes to accept the Restructuring Plan. If the class of FairPoint Communications Unsecured Claims does not vote to accept the Restructuring Plan, then the Consenting Lenders will have the right to nominate eight New Board members. The Consenting Lenders shall have the option to reduce the initial number of board members they are entitled to nominate to five members, it being understood that the overall size of the board shall be reduced commensurately.

Debtor-in-Possession Financing

DIP Credit Agreement

In connection with the Chapter 11 Cases, the Company and FairPoint Logistics, Inc. ("Logistics," and together with the Company, the "Borrowers") entered into a Debtor-in-Possession Credit Agreement, dated as of October 27, 2009 (the "DIP Credit Agreement"), with certain financial institutions (the "Lenders") and Bank of America, N.A., as the administrative agent for the Lenders (in such capacity, the "Administrative Agent"). The DIP Credit Agreement provides for a revolving facility in an aggregate principal amount of up to $75 million, of which up to $30 million is also available in the form of one or more letters of credit that may be issued to third parties for the account of the Company and its subsidiaries (the "DIP Financing"). Pursuant to an Order of the Bankruptcy Court, dated October 28, 2009 (the "Interim Order"), the Borrowers were authorized to enter into and immediately draw upon the DIP Credit Agreement on an interim basis, pending a final hearing before the Bankruptcy Court, in an aggregate amount of $20 million. If the Bankruptcy Court enters a final order in connection with the DIP Credit Agreement (the "Final Order"), the Borrowers will be permitted access to the total amount of the DIP Financing, subject to the terms and conditions of the DIP Credit Agreement and related orders of the Bankruptcy Court. The DIP Credit Agreement became effective by its terms on October 30, 2009.

The DIP Financing will mature and will be repayable in full on the earlier to occur of (i) July 26, 2010, which date can be extended up to 3 months at the request of the Borrowers upon the prior written consent of non-defaulting Lenders holding a majority of the aggregate principal amount of the outstanding loans and letters of credit plus unutilized commitments under the DIP Financing (the "Required Lenders") with no fee payable by the Borrowers in connection with any such extension, (ii) the effective date of a plan of reorganization that meets certain conditions and is satisfactory to the Required Lenders and the Administrative Agent, (iii) the voluntary reduction by the Borrowers to zero

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

of all commitments to lend under the DIP Credit Agreement or (iv) the date on which the obligations under the DIP Financing are accelerated by the Required Lenders upon the occurrence and during the continuance of certain events of default.

Other material provisions of the DIP Credit Agreement include the following:

Interest Rate and Fees. Interest rates for borrowings under the DIP Credit Agreement will be, at the Borrowers' option, at either (i) the Eurodollar rate plus a margin of 4.5% or (ii) the base rate plus a margin of 3.5%, payable monthly in arrears on the last business day of each month.

Interest shall accrue from and including the date of any borrowing up to but excluding the date of any repayment thereof and shall be payable (i) in respect of each base rate loan, monthly in arrears on the last business day of each month, (ii) in respect of each Eurodollar loan, on the last day of each interest period applicable thereto (which shall be a period of one month) and (iii) in respect of each such loan, on any prepayment or conversion (on the amount prepaid or converted), at maturity (whether by acceleration or otherwise) and, after such maturity, on demand. The DIP Credit Agreement provides for the payment to the Administrative Agent, for the pro rata benefit of the Lenders, of an upfront fee in the aggregate principal amount of $1.5 million, which upfront fee is payable in two installments: (1) the first installment of $400,000 was due and payable on October 28, 2009, the date on which the Interim Order was entered by the Bankruptcy Court, and (2) the remainder of the upfront fee is due and payable on the date the Final Order is entered by the Bankruptcy Court. The DIP Credit Agreement also provides for an unused line fee of 0.50% on the unused revolving commitment, payable monthly in arrears on the last business day of each month (or on the date of maturity, whether by acceleration or otherwise), and a letter of credit facing fee of 0.25% per annum calculated daily on the stated amount of all outstanding letters of credit, payable monthly in arrears on the last business day of each month (or on the date of maturity, whether by acceleration or otherwise), as well as certain other fees.

Voluntary Prepayments. Voluntary prepayments of borrowings and optional reductions of the unutilized portion of the commitments are permitted without premium or penalty (subject to payment of breakage costs in the event Eurodollar loans are prepaid prior to the end of an applicable interest period).

Covenants. Under the DIP Credit Agreement, the Borrowers are required to maintain compliance with certain covenants, including maintaining minimum EBITDAR (earnings before interest, taxes, depreciation, amortization, restructuring charges and certain other non-cash costs and charges, as set forth in the DIP Credit Agreement) and not exceeding maximum permitted capital expenditure amounts. The DIP Credit Agreement also contains customary affirmative and negative covenants and restrictions, including, among others, with respect to investments, additional indebtedness, liens, changes in the nature of the business, mergers, acquisitions, asset sales and transactions with affiliates.

Events of Default. The DIP Credit Agreement contains customary events of default, including, but not limited to, failure to pay principal, interest or other amounts when due, breach of covenants, failure of any representations to have been true in all material respects when made, cross-defaults to certain other indebtedness in excess of specific amounts (other than obligations and indebtedness created or

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

incurred prior to the filing of the Chapter 11 Cases), judgment defaults in excess of specified amounts, certain ERISA defaults and the failure of any guaranty or security document supporting the DIP Credit Agreement to be in full force and effect, the occurrence of a change of control and certain matters related to the Interim Order, the Final Order and other matters related to the Chapter 11 Cases.

DIP Pledge Agreement

The Borrowers and certain of FairPoint Communications' subsidiaries (collectively, the "Pledgors") entered into the DIP Pledge Agreement with Bank of America N.A., as collateral agent (the "Collateral Agent"), dated as of October 30, 2009 (the "DIP Pledge Agreement"), as required under the terms of the DIP Credit Agreement. Pursuant to the DIP Pledge Agreement, the Pledgors have provided to the Collateral Agent for the secured parties identified therein, a security interest in 100% of the equity interests and promissory notes owned by the Pledgors and all proceeds arising therefrom, including cash dividends and distributions, subject to certain exceptions and qualifications (the "Pledge Agreement Collateral").

DIP Subsidiary Guaranty

Certain of FairPoint Communications' subsidiaries (collectively, the "Guarantors") entered into the DIP Subsidiary Guaranty with the Administrative Agent, dated as of October 30, 2009 (the "DIP Subsidiary Guaranty"), as required under the terms of the DIP Credit Agreement. Pursuant to the DIP Subsidiary Guaranty, the Guarantors agreed to jointly and severally guarantee the full and prompt payment of all fees, obligations, liabilities and indebtedness of the Borrowers, as borrowers under the DIP Financing. Pursuant to the terms of the DIP Subsidiary Guaranty, the Guarantors further agreed to subordinate any indebtedness of the Borrowers held by such Guarantor to the indebtedness of the Borrowers held by the secured parties under the DIP Financing.

DIP Security Agreement

The Borrowers and the Guarantors (collectively, the "Grantors") entered into the DIP Security Agreement with the Collateral Agent, dated as of October 30, 2009 (the "DIP Security Agreement"), as required under the terms of the DIP Credit Agreement. Pursuant to the DIP Security Agreement, the Grantors have provided to the Collateral Agent for the benefit of the secured parties identified therein, a security interest in all assets other than the DIP Pledge Agreement Collateral, any causes of action arising under Chapter 5 of the Bankruptcy Code and Federal Communications Commission ("FCC") licenses and authorizations by state regulatory authorities to the extent that any Grantor is prohibited from granting a lien and security interest therein pursuant to applicable law.

Plan of Reorganization

Pursuant to the Support Agreement, the Company is required to file a Chapter 11 plan of reorganization reflecting the Restructuring Plan described above with the Bankruptcy Court within 45 days after the Petition Date. Pursuant to the Support Agreement, the Consenting Lenders, which represent more than 50% of the loans outstanding under the Credit Facility, are required to vote in favor of and support a Chapter 11 plan on substantially the terms and conditions set forth in the Plan

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

Term Sheet. However, no assurances can be given that the Company will file such a Chapter 11 plan or that a Chapter 11 plan will be confirmed by the Bankruptcy Court on the terms described herein or at all.

Reporting Requirements

As a result of the filing of the Chapter 11 Cases, the Debtors are now required to file various documents with, and provide certain information to, the Bankruptcy Court, including statements of financial affairs, schedules of assets and liabilities, and monthly operating reports in forms prescribed by federal bankruptcy law. Such materials will be prepared according to requirements of the Bankruptcy Code. While these materials accurately provide then-current information required under the Bankruptcy Code, they are nonetheless unaudited, are prepared in a format different from that used in the Company's consolidated financial statements filed under the securities laws and certain of this financial information may be prepared on an unconsolidated basis. Accordingly, the Company believes that the substance and format of these materials do not allow meaningful comparison with its regular publicly-disclosed consolidated financial statements. Moreover, the materials filed with the Bankruptcy Court are not prepared for the purpose of providing a basis for an investment decision relating to the Company's securities, or for comparison with other financial information filed with the SEC.

Notifications

Shortly after the Petition Date, the Debtors began notifying current or potential creditors of the Chapter 11 Cases. Subject to certain exceptions under the Bankruptcy Code, the Chapter 11 Cases automatically enjoined, or stayed, the continuation of any judicial or administrative proceedings or other actions against the Debtors or their property to recover on, collect or secure a claim arising prior to the Petition Date. Thus, for example, most creditor actions to obtain possession of property from the Debtors, or to create, perfect or enforce any lien against the property of the Debtors, or to collect on monies owed or otherwise exercise rights or remedies with respect to a claim arising prior to the Petition Date are enjoined unless and until the Bankruptcy Court lifts the automatic stay. Vendors are being paid for goods furnished and services provided after the Petition Date in the ordinary course of business. The deadline for the filing of proofs of claims against the Debtors has not yet been established by the Bankruptcy Court.

Creditors' Committee

As required by the Bankruptcy Code, the United States Trustee for the Southern District of New York has appointed a statutory committee of unsecured creditors (the "Creditors' Committee"). The Creditors' Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors. There can be no assurance that the Creditors' Committee will support the Debtors' positions on matters to be presented to the Bankruptcy Court in the future or on any Chapter 11 plan of reorganization. Disagreements between the Debtors and the Creditors' Committee could protract the court proceedings, negatively impact the Debtors' ability to operate and delay the Debtors' emergence from bankruptcy.

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

Executory Contracts—Section 365

Under Section 365 and other relevant sections of the Bankruptcy Code, the Debtors may assume, assume and assign or reject certain executory contracts and unexpired leases, subject to the approval of the Bankruptcy Court and certain other conditions. Any description of an executory contract or unexpired lease in this Quarterly Report, including where applicable, the Debtors' express termination rights or a quantification of its obligations, must be read in conjunction with, and is qualified by, any overriding rejection rights the Debtors have under Section 365 of the Bankruptcy Code. Claims may arise as a result of rejecting any executory contract.

Reorganization Costs

The Debtors have incurred and will continue to incur significant costs associated with the Chapter 11 Cases. The amount of these costs, which are being expensed as incurred, are expected to significantly affect the Debtors' results of operations. For the three and nine months ended September 30, 2009, the Company has incurred $6.1 million and $7.3 million of reorganization costs, respectively.

Risks and Uncertainties

The ability of the Debtors, both during and after the Bankruptcy Court proceedings, to continue as a going concern is dependent upon, among other things, the ability of the Debtors to confirm the a Chapter 11 restructuring plan. Uncertainty as to the outcome of these factors raises substantial doubt about the Debtors' ability to continue as a going concern. The consolidated financial statements contained in this Quarterly Report do not include any adjustments to reflect or provide for the consequences of the bankruptcy proceedings. See "Organization and Basis of Financial Reporting; Chapter 11 Cases—Financial Reporting in Reorganization" for additional information. In particular, such financial statements do not purport to show (i) as to assets, their realization value on a liquidation basis or their availability to satisfy liabilities, (ii) as to liabilities arising prior to the Petition Date, the amounts that may be allowed for claims or contingencies, or the status and priority thereof, (iii) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Debtors or (iv) as to operations, the effects of any changes that may be made in the underlying business. A plan of reorganization would likely cause material changes to the amounts currently disclosed in the condensed consolidated financial statements.

As a result of the Chapter 11 Cases, realization of assets and liquidation of liabilities are subject to uncertainty. While operating as a debtor-in-possession under the protection of the Bankruptcy Code, and subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business, the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the condensed consolidated financial statements. Further, a Chapter 11 plan of reorganization could materially change the amounts and classifications reported in the consolidated historical financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a plan of reorganization.

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

Negative events associated with the Chapter 11 Cases could adversely affect revenues and the Debtors' relationship with customers, as well as with vendors and employees, which in turn could adversely affect the Debtors' operations and financial condition, particularly if the Bankruptcy Court proceedings are protracted. Also, transactions outside of the ordinary course of business are subject to the prior approval of the Bankruptcy Court and the DIP Lenders, which may limit the Debtors' ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with the Bankruptcy Court proceedings, the ultimate impact that events that occur during these proceedings will have on the Debtors' business, financial condition and results of operations cannot be accurately predicted or quantified, and until such issues are resolved, there remains substantial doubt about the Debtors' ability to continue as a going concern.

Impact on NOL Carryforwards

The Company's NOLs must be reduced by certain debt discharged pursuant to the bankruptcy plan of reorganization. Further, the Company's ability to utilize its NOL carryforwards will be limited by Section 382 of the Internal Revenue Code of 1986, as amended, after the Company consummates a debt restructuring that results in an ownership change. In general, following an ownership change, a limitation is imposed on the amount of pre-ownership change NOL carryforwards that may be used to offset taxable income in each year following the ownership change. Under a special rule that may be elected for an ownership change pursuant to a Chapter 11 reorganization, the amount of this annual limitation is equal to the "long-term tax-exempt rate" (published monthly by the IRS) for the month in which the ownership change occurs, multiplied by the value of FairPoint Communications' stock immediately after, rather than immediately before, the ownership change. By taking into account the value of FairPoint Communications' stock immediately after the Chapter 11 reorganization, the limitation is increased as a result of the cancellation of debt that occurs pursuant to the Chapter 11 reorganization. Because the Company expects to elect this treatment, an annual limitation will be imposed on the amount of the Company's pre-ownership change NOL carryforwards that can be utilized to offset its taxable income after consummation of the Chapter 11 reorganization. In order to prevent an ownership change that limits the Company's NOL carryforwards prior to the effective date of a Chapter 11 plan of reorganization, the Bankruptcy Court has put in place notification procedures and potential restrictions on the trading of FairPoint Communications' common stock.

Any portion of the annual limitation that is not used in a particular year may be carried forward and used in subsequent years. The annual limitation is increased by certain built-in gains recognized (or treated as recognized) during the five years following the ownership change (up to the total amount of built-in gain that existed at the time of the ownership change). The Company expects any NOL limitation for the five years following an ownership change will be increased by built-in gains. The Company also projects that all available NOL carryforwards after giving effect to the reduction for debt discharged will be utilized to offset future income within the first five years following the restructuring. Therefore, the Company does not expect to have NOL carryforwards after such time.

(2) Organization and Basis of Financial Reporting; Chapter 11 Cases (Continued)

Financial Reporting in Reorganization

As a result of the restatement described in note 1, the Company was not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under its Credit Facility for the measurement period ended June 30, 2009, which constitutes an event of default under each of the Credit Facility and the Swaps, and may constitute an event of default under the Notes, in each case at June 30, 2009. The historical disclosure contained below does not take the restatement into account.

As a result of the defaults described in this note 2, the Company has classified its obligations under the Credit Facility, the Notes and the Swaps as current liabilities in the accompanying condensed consolidated balance sheet as of September 30, 2009.

The accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The Company's ability to continue as a going concern is contingent upon its ability to comply with the financial and other covenants contained in the DIP Credit Agreement and the Bankruptcy Court's approval of the Company's Restructuring Plan, among other things. As a result of the Chapter 11 Cases, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under the Bankruptcy Code, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business (and subject to restrictions contained in the DIP Credit Agreement), in amounts other than those reflected in the accompanying condensed consolidated financial statements. Further, a plan of reorganization could materially change the amounts and classifications in the historical condensed consolidated financial statements. The accompanying condensed consolidated financial statements do not include any direct adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should the Company be unable to continue as a going concern or as a consequence of the Chapter 11 Cases.

The Reorganizations Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "ASC"), which is applicable to companies in Chapter 11, generally does not change the manner in which financial statements are prepared. However, it does require that the financial statements for periods subsequent to the filing of the Chapter 11 Cases distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Amounts that can be directly associated with the reorganization and restructuring of the business must be reported separately as reorganization items in the statements of operations beginning in the quarter ending December 31, 2009. The balance sheet must distinguish pre-petition liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be allowed, even if they may be settled for lesser amounts. In addition, cash provided by reorganization items must be disclosed separately in the statement of cash flows. The Company will apply the Reorganizations Topic of the ASC effective as of the Petition Date, and will segregate those items as outlined above for all reporting periods subsequent to such date.

(3) Accounting Policies

(a) Use of Estimates

The accompanying condensed consolidated financial statements have been prepared in accordance with GAAP, which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates. The condensed consolidated financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown, including normal recurring accruals and other items. The Company has reclassified certain prior period amounts in the condensed consolidated financial statements to be consistent with current period presentation. The effect of these reclassifications is not material.

Examples of significant estimates include the allowance for doubtful accounts, the recoverability of plant, property and equipment, pension and post-retirement benefit assumptions, penalties imposed by state PUCs, purchase price allocation for the acquisition of Legacy FairPoint and income taxes. In addition, estimates were made to determine the allocations used in preparing the historical combined financial statements as described above.

(b) Revenue Recognition

Revenues are recognized as services are rendered and are primarily derived from the usage of the Company's networks and facilities or under revenue-sharing arrangements with other communications carriers. Revenues are primarily derived from: access, pooling, local calling services, Universal Service Fund receipts, long distance services, Internet and broadband services, and other miscellaneous services. Local access charges are billed to local end users under tariffs approved by each state's public utilities commission. Access revenues are derived for the intrastate jurisdiction by billing access charges to interexchange carriers and to other local exchange carriers. These charges are billed based on toll or access tariffs approved by the local state's public utilities commission. Access charges for the interstate jurisdiction are billed in accordance with tariffs filed by the National Exchange Carrier Association or by the individual company and approved by the FCC.

Revenues are determined on a bill-and-keep basis or a pooling basis. If on a bill-and-keep basis, the Company bills the charges to either the access provider or the end user and keeps the revenue. If the Company participates in a pooling environment (interstate or intrastate), the toll or access billed is contributed to a revenue pool. The revenue is then distributed to individual companies based on their company-specific revenue requirement. This distribution is based on individual state public utilities commissions' rates for intrastate revenues or the FCC's approved separation rules and rates of return for interstate revenues. Distribution from these pools can change relative to changes made to expenses, plant investment, or rate of return. Some companies participate in federal and certain state universal service programs that are pooling in nature but are regulated by rules separate from those described above. These rules vary by state. Revenues earned through the various pooling arrangements are initially recorded based on the Company's estimates.

Long distance retail and wholesale services are usage sensitive and are billed in arrears and recognized when earned. Internet and data services revenues are substantially all recurring revenues and are billed one month in advance and deferred until earned. The majority of the Company's miscellaneous revenue is provided from billing and collection and directory services. The Company earns revenue from billing and collecting charges for toll calls on behalf of interexchange carriers. The

(3) Accounting Policies (Continued)

interexchange carrier pays a certain rate per each minute billed by the Company. The Company recognizes revenue from billing and collection services when the services are provided.

Internet and broadband services and certain other services are recognized in the month the service is provided.

Non-recurring customer activation fees, along with the related costs up to, but not exceeding the activation fees, are deferred and amortized over the customer relationship period.

(c) Maintenance and Repairs

The cost of maintenance and repairs, including the cost of replacing minor items not constituting substantial betterments, is charged primarily to cost of services and sales as these costs are incurred.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

(e) Restricted Cash

As of March 31, 2008, the closing date of the Merger, the Company had $80.9 million of restricted cash. Pursuant to the regulatory orders issued in connection with the Merger, the Company is required to use these funds to (i) pay for the removal of double poles in Vermont, which is estimated to cost $6.7 million, (ii) pay for certain service quality improvements under a performance enhancement plan in Vermont totaling $25.0 million, and (iii) pay for network improvements in New Hampshire totaling $49.2 million (the "New Hampshire Funds"). During the three months ended June 30, 2009, the Company requested that the New Hampshire Funds be made available for general working capital purposes. By letter dated May 12, 2009, the New Hampshire Public Utilities Commission (the "NHPUC") approved the Company's request, conditioned upon the Company's commitment to invest funds on certain NHPUC approved network improvements in New Hampshire on the following schedule: $15 million by the end of 2010, an additional $20 million by the end of 2011 and an additional $30 million by the end of 2012. This investment commitment is inclusive of the $50 million previously required by the NHPUC.

As of September 30, 2009, the Company had released $79.0 million of the restricted cash, including $1.5 million in interest earned on such restricted cash, for approved expenditures under the required projects and had forfeited an additional $0.5 million to the Vermont Public Service Board due to an inability to spend the full $12.5 million allocated for such projects in the 2008 calendar year. Included in the $79.0 million of restricted cash released for approved expenditures is $12.5 million to be spent during the 2009 calendar year on service quality improvements under a performance enhancement plan in Vermont. As of September 30, 2009, it is evident that the Company will not be able to fulfill its obligation to spend the full $12.5 million allocated for such projects in the 2009 calendar year. As a result, the Company has accrued a $0.5 million forfeiture payable to the Vermont Public Service Board in the first quarter of 2010.

As of September 30, 2009, the Company had $2.9 million of restricted cash of which $2.1 million is shown in current assets and $0.8 million is shown as a non-current asset on the condensed consolidated balance sheet.

(3) Accounting Policies (Continued)

However, at this time, it is unclear what effect the filing of the Chapter 11 Cases will have on the requirements imposed by the PUCs in Maine, New Hampshire and Vermont as a condition to the to the approval of the Merger and whether such requirements will be enforceable against the Company in the future.

(f) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. Receivable balances are reviewed on an aged basis and account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

During the three months ended September 30, 2009, the Company revised its methodology for calculating the allowance for doubtful accounts based upon recent collections experience. This change in methodology resulted in an increase in the allowance for doubtful accounts and bad debt expense. The allowance for doubtful accounts increased $25.2 million during the three months ended September 30, 2009.

(g) Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and trade receivables. The Company places its cash with high-quality financial institutions. Concentrations of credit risk with respect to trade receivables are principally related to receivables from other interexchange carriers and are otherwise limited to the Company's large number of customers in several states.

The Company sponsors pension and post-retirement healthcare plans for certain employees. Plan assets are held by a third party trustee. The Company's plans hold debt and equity securities for investment purposes. The value of these plan assets is dependent on the financial condition of those entities issuing the debt and equity securities. A significant decline in the fair value of plan assets could result in additional contributions to the plans by the Company in order to meet funding requirements under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

(h) Materials and Supplies

Materials and supplies include new and reusable supplies and network equipment, which are stated principally at average original cost, except that specific costs are used in the case of large individual items.

(i) Property, Plant, and Equipment

Property, plant and equipment is recorded at cost. Depreciation expense is principally based on the composite group remaining life method and straight-line composite rates. This method provides for the recognition of the cost of the remaining net investment in telephone plant, property and equipment less anticipated positive net salvage value, over the remaining asset lives. This method requires the periodic revision of depreciation rates.

(3) Accounting Policies (Continued)

At September 30, 2009 and December 31, 2008, accumulated depreciation for property, plant and equipment was $4.1 billion and $4.0 billion, respectively.

The estimated asset lives used are presented in the following table:

Average Lives	Years
Buildings	45
Central office equipment	5 - 11
Outside communications plant	
Copper cable	15 - 18
Fiber cable	25
Poles and conduit	30 - 50
Furniture, vehicles and other	3 - 15

The Company believes that current estimated useful asset lives are reasonable. Such useful lives are subject to regular review and analysis. In the evaluation of asset lives, multiple factors are considered, including, but not limited to, the ongoing network deployment, technology upgrades and enhancements, planned retirements and the adequacy of reserves.

When depreciable telephone plant used in the Company's wireline network is replaced or retired, the carrying amount of such plant is deducted from the respective accounts and charged to accumulated depreciation. No gain or loss is recognized on disposition of assets.

Network software purchased or developed in connection with related plant assets is capitalized. The Company also capitalizes interest associated with the acquisition or construction of network related assets. Capitalized interest is reported as part of the cost of the network related assets and as a reduction in interest expense.

(j) Long-Lived Assets

Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment as required by the Property, Plant, and Equipment Topic of the ASC. These assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, by which the carrying value of the asset exceeds its fair value.

(k) Computer Software and Interest Costs

The Company capitalizes certain costs incurred in connection with developing or obtaining internal use software which has a useful life in excess of one year in accordance with the Intangibles—Goodwill and Other Topic of the ASC. Capitalized costs include direct development costs associated with internal use software, including direct labor costs and external costs of materials and services.

Subsequent additions, modifications or upgrades to internal use software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred.

In addition, the Company capitalizes the interest cost associated with the period of time over which the Company's internal use software is developed or obtained in accordance with the Interest Topic of the ASC.

(3) Accounting Policies (Continued)

On January 15, 2007, FairPoint entered into the Master Services Agreement (the "MSA"), with Capgemini U.S. LLC ("Capgemini"). Through the MSA, the Company replicated and/or replaced certain existing Verizon systems during a phased period through January 2009. As of June 30, 2009, the Company had completed the application development stage of the project and was no longer capitalizing costs in accordance with the Intangibles—Goodwill and Other Topic of the ASC. The Company has recognized both external and internal service costs associated with the MSA based on total labor incurred through the completion of the application development stage. As of September 30, 2009, the Company had capitalized $107.0 million of MSA costs and an additional $6.9 million of interest costs.

In addition to the MSA, the Company has other agreements and projects for which costs are capitalized in accordance with the Intangibles—Goodwill and Other Topic and the Interest Topic of the ASC. During the three and nine months ended September 30, 2009, the Company capitalized $3.9 million and $15.4 million, respectively, in software costs in addition to those capitalized under the MSA. During the three and nine months ended September 30, 2009, the Company capitalized $0.4 million and $1.0 million, respectively, in interest costs in addition to those capitalized under the MSA.

(l) Debt Issue Costs

On March 31, 2008, immediately prior to the Merger, Legacy FairPoint and Spinco entered into a the $2,030.0 million Pre-petition Credit Facility, consisting of a non-amortizing revolving facility in an aggregate principal amount of $200.0 million (the "Revolver"), a senior secured term loan A facility in an aggregate principal amount of $500.0 million (the "Term Loan A Facility"), a senior secured term loan B facility in the aggregate principal amount of $1,130.0 million (the "Term Loan B Facility", and together with the Term Loan A Facility, the "Term Loan"), and a delayed draw term loan facility in an aggregate principal amount of $200.0 million (the "Delayed Draw Term Loan"). The Company incurred $29.2 million of debt issue costs associated with the Credit Facility and began to amortize these costs over the life of the related debt, ranging from 6 to 7 years using the effective interest method.

On January 21, 2009, the Company entered into an amendment to the Credit Facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn loan commitments under the Revolver, totaling $30.0 million, were terminated and are no longer available to the Company. The Company incurred $0.5 million of debt issue costs associated with this amendment and began to amortize these costs over the remaining life of the loan.

Concurrent with the amendment, the Company wrote off $0.8 million of the unamortized debt issue costs associated with the original Credit Facility, in accordance with the Debt—Modifications and Extinguishments Topic of the ASC.

In connection with the Exchange Offer consummated on July 29, 2009, the Company paid a cash consent fee of $1.6 million in the aggregate to holders of Old Notes who validly delivered and did not revoke consents in the related consent solicitation prior to a specified early consent deadline, which amount was equal to $3.75 in cash per $1,000 aggregate principal amount of Old Notes exchanged in the Exchange Offer. Pursuant to the Debt—Modifications and Extinguishments Topic of the ASC, this consent fee was capitalized and the Company began to amortize these costs over the life of the New Notes using the effective interest method.

(3) Accounting Policies (Continued)

As of September 30, 2009, the Company had capitalized debt issue and offering costs of $24.1 million, net of amortization.

(m) Advertising Costs

Advertising costs are expensed as they are incurred.

(n) Goodwill and Other Intangible Assets

Goodwill consists of the difference between the purchase price incurred in the acquisition of Legacy FairPoint using the purchase method of accounting and the fair value of net assets acquired. In accordance with the Intangibles—Goodwill and Other Topic of the ASC, goodwill is no longer amortized, but instead is assessed for impairment at least annually. During this assessment, management relies on a number of factors, including operating results, business plans, and anticipated future cash flows.

Goodwill impairment is determined using a two-step process. Step one compares the estimated fair value of the Company's single wireline reporting unit (calculated using both the market approach and the income approach) to its carrying amount, including goodwill. The market approach compares the fair value of the Company, as measured by its market capitalization, to the carrying amount of the Company, which represents its shareholders' equity balance. As of September 30, 2009, shareholders' deficit totaled $104.8 million. The income approach compares the fair value of the Company, as measured by discounted expected future cash flows, to the carrying amount of the Company. If the Company's carrying amount exceeds its estimated fair value, there is a potential impairment and step two of the analysis must be performed.

Step two compares the implied fair value of the Company's goodwill (i.e., the fair value of the Company less the fair value of the Company's assets and liabilities, including identifiable intangible assets) to its goodwill carrying amount. If the carrying amount of the Company's goodwill exceeds the implied fair value of the goodwill, the excess is required to be recorded as an impairment.

The Company performed step one of its annual goodwill impairment assessment as of October 1, 2008 and concluded that there was no impairment at that time. In light of the Company's operating performance during the first half of 2009, which was impacted by issues associated with the January 30, 2009 systems cutover, the Company performed an interim goodwill impairment assessment as of June 30, 2009 and determined goodwill was not impaired.

While no impairment charges resulted from the analysis performed at June 30, 2009, impairment charges may occur in the future due to the outcome of the Chapter 11 Cases or the application of "fresh start" accounting upon the Company's emergence from Chapter 11.

As of September 30, 2009, the Company had goodwill of $595.1 million.

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(3) Accounting Policies (Continued)

The Company's intangible assets consist of customer lists, non-compete agreements and trade names as follows (in thousands):

	At September 30, 2009
Customer lists (weighted average 9.7 years):	
Gross carrying amount	$208,504
Less accumulated amortization	(33,858)
Net customer lists	174,646
Non-Compete agreement (weighted average 1 year):	
Gross carrying amount	358
Less accumulated amortization	(358)
Net non-compete agreement	—
Trade names (indefinite life):	
Gross carrying amount	42,816
Total intangible assets, net	$217,462

The estimated weighted average useful lives of the intangible assets are 9.7 years for the customer relationships, one year for the non-compete agreement and an indefinite useful life for trade names. Amortization expense was $5.6 million and $17.0 million for the three and nine months ended September 30, 2009 and is expected to be approximately $22.6 million per year.

(o) Accounting for Income Taxes

The Company accounts for income taxes for interim periods in accordance with the Income Taxes Topic of the ASC. The Income Taxes—Interim Reporting subtopic of the ASC requires the tax (or benefit) related to ordinary income (or loss) to be computed at an estimated annual effective tax rate and the tax (or benefit) related to all other items to be individually computed and recognized when the items occur unless a reliable estimated annual effective tax rate cannot be calculated.

This process involves estimating the actual current tax exposure and assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the Company's condensed consolidated balance sheets. The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes the recovery is not likely, it must establish a valuation allowance. Further, to the extent that the Company establishes a valuation allowance or increases this allowance in a financial accounting period, the Company must include a tax provision, or reduce its tax benefit in the condensed consolidated statement of operations. In performing the assessment, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. The Company uses its judgment to determine its provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against its net deferred tax assets.

(3) Accounting Policies (Continued)

(p) Stock-based Compensation Plans

The Company accounts for its stock-based compensation plans in accordance with the Compensation—Stock Compensation Topic of the ASC, which establishes accounting for stock-based awards granted in exchange for employee services. Accordingly, for employee awards which are expected to vest, stock-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense on a straight-line basis over the requisite service period, which generally begins on the date the award is granted through the date the award vests. The Company elected to adopt the provisions of the Compensation—Stock Compensation Topic of the ASC using the prospective application method for awards granted prior to becoming a public company and valued using the minimum value method, and using the modified prospective application method for awards granted subsequent to becoming a public company.

On March 3, 2009, the Company's compensation committee approved the award of performance units under the FairPoint Communications, Inc. 2008 Long Term Incentive Plan for the performance period beginning January 1, 2009 and ending December 31, 2011 to certain key employees. As of September 30, 2009, no shares of common stock had been issued pursuant to these grants.

On June 10, 2009, the Company's compensation committee approved the award of certain equity incentives to David L. Hauser, the Company's new Chairman and Chief Executive Officer, as an inducement to accept employment with the Company (the "Inducement Awards"). As provided in Mr. Hauser's employment agreement, dated June 11, 2009, the Inducement Awards include: (i) options to purchase 1,600,000 shares of the Company's common stock (the "Inducement Options"); (ii) restricted shares of the Company's common stock valued at $4,000,000 (the "Inducement Restricted Stock"); and (iii) performance units for two performance periods beginning on July 1, 2009 and ending on December 31, 2010 and December 31, 2011, respectively (the "Inducement Performance Units"). The Inducement Options were granted on July 1, 2009, at an exercise price of $0.95 per share. The Inducement Options will vest and become exercisable in three equal annual installments commencing on July 1, 2010, provided that Mr. Hauser remains employed by the Company through each such date. The Inducement Restricted Stock will be awarded in the following three installments: (i) $500,000 on July 1, 2009; (ii) $1,750,000 on July 1, 2010; and (iii) $1,750,000 on July 1, 2011, and will be valued based on the average closing prices of the Company's common stock during the thirty calendar days immediately preceding the applicable award date. Accordingly, on July 1, 2009, 523,810 shares of restricted stock were awarded to Mr. Hauser. The Inducement Restricted Stock will become fully vested on July 1, 2012, provided that Mr. Hauser remains employed by the Company through such date. The Inducement Performance Units will be earned and paid in shares of the Company's common stock, based on the Company's performance during the performance periods, with a target amount of 200% of Mr. Hauser's base salary and a maximum of 400% of Mr. Hauser's base salary. The number of shares subject to the Inducement Options and the option exercise price will be adjusted, and additional shares of Inducement Restricted Stock will be awarded, as necessary, to preserve the value of the Inducement Options and the Inducement Restricted Stock awarded on July 1, 2009 if, prior to December 31, 2010, the Company completes a restructuring of its indebtedness.

(3) Accounting Policies (Continued)

(q) Employee Benefit Plans

The Company accounts for pensions and other post-retirement benefit plans in accordance with the Compensation—Retirement Benefits Topic of the ASC. This Topic requires the recognition of a defined benefit post-retirement plan's funded status as either an asset or liability on the balance sheet. This Topic also requires the immediate recognition of the unrecognized actuarial gains and losses and prior service costs and credits that arise during the period as a component of other accumulated comprehensive income, net of applicable income taxes. Additionally, a company must determine the fair value of plan assets as of the company's year end.

(r) Business Segments

Management views its business of providing video, data and voice communication services to residential and business customers as one business segment as defined in the Segment Reporting Topic of the ASC. The Company consists of retail and wholesale telecommunications services, including local telephone, high speed Internet, long distance and other services in 18 states. The Company's chief operating decision maker assesses operating performance and allocates resources based on the consolidated results.

(s) Purchase Accounting

Prior to the adoption of the Business Combinations Topic of the ASC, the Company recognized the acquisition of companies in accordance with SFAS No. 141, *Accounting for Business Combinations* ("SFAS 141"). The cost of an acquisition was allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the acquisition, with amounts exceeding the fair value being recorded as goodwill. All future business combinations will be recognized in accordance with the Business Combinations Topic of the ASC.

(4) Recent Accounting Pronouncements

On July 1, 2009, the Company adopted the FASB ASC. The FASB has established the ASC as the source of authoritative principles and standards recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The adoption of the ASC had no impact on the Company's consolidated results of operations and financial position.

On January 1, 2009, the Company adopted the accounting standard relating to business combinations. This standard establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This standard is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. The Company will assess the impact of this standard if and when a future acquisition occurs.

(4) Recent Accounting Pronouncements (Continued)

On January 1, 2009, the Company adopted the accounting standard relating to disclosures about derivative instruments and hedging activities. This standard requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under the Derivatives and Hedging Topic of the ASC and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of this standard had no impact on the Company's consolidated results of operations and financial position.

On June 15, 2009, the Company adopted the accounting standard relating to interim disclosures about fair value of financial instruments. This standard extends financial instrument fair value disclosure to interim financial statements of publicly traded companies. This standard is effective for interim reporting periods ending after June 15, 2009. The adoption of this standard had no impact on the Company's consolidated results of operations and financial position.

On June 15, 2009, the Company adopted the accounting standard relating to subsequent events. This standard establishes principles and requirements for identifying, recognizing and disclosing subsequent events. This standard requires that an entity identify the type of subsequent event as either recognized or unrecognized, and disclose the date through which the entity has evaluated subsequent events. This standard is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this standard had no impact on the Company's consolidated results of operations and financial position.

In December 2008, the accounting standard regarding employers' disclosures about postretirement benefit plan assets was updated to require the Company, as a plan sponsor, to provide disclosures about plan assets, including categories of plan assets, the nature of concentrations of risk and disclosures about fair value measurements of plan assets. This standard is effective for fiscal years ending after December 15, 2009. The adoption of this standard is not expected to have a significant impact on the Company's our consolidated results of operations and financial position.

(5) Dividends

On December 5, 2008, the Company declared a dividend of $0.2575 per share of common stock, which was paid on January 16, 2009 to holders of record as of December 31, 2008.

On March 4, 2009, the Company's board of directors voted to suspend the quarterly dividend on the Company's common stock.

(6) Acquisitions and Dispositions

On March 31, 2008, the Company completed the Merger with Spinco. The Merger was accounted for as a reverse acquisition of FairPoint by Spinco under the purchase method of accounting because Verizon's stockholders owned a majority of the shares of the combined Company following the Merger. The Merger consideration was $316.3 million. Spinco was a wholly-owned subsidiary of Verizon that owned Verizon's local exchange and related business activities in Maine, New Hampshire and Vermont. Spinco was spun off from Verizon immediately prior to the Merger. Spinco served approximately 1,562,000 access line equivalents as of the date of acquisition.

(6) Acquisitions and Dispositions (Continued)

Prior to the Merger, the Verizon Group engaged in a series of restructuring transactions to effect the transfer of specified assets and liabilities of the local exchange business of Verizon New England in Maine, New Hampshire and Vermont and the customers of the Verizon Group's related long distance and Internet service provider businesses in those states to Spinco and the entities (including an entity formed for holding Vermont property) that became Spinco's subsidiaries. In connection with these restructuring transactions, and immediately prior to closing of the Merger on March 31, 2008, the Verizon Group contributed certain of those assets and all of the direct and indirect equity interests of those entities to Spinco in exchange for:

- the issuance of additional shares of Spinco common stock that were distributed in a spin-off;
- a special cash payment of $1,160.0 million to the Verizon Group; and
- the issuance by Spinco to the Verizon Group of the Old Notes.

As a result of these transactions, the Verizon Group received $1.7 billion of combined cash and principal amount of Old Notes.

The Verizon Group also contributed approximately $316.0 million in cash to Spinco at the time of the Spin-Off (as defined below), in addition to the amount of working capital, subject to adjustment, that it was required to contribute pursuant to the distribution agreement that was in effect prior to the Merger. During the third quarter of 2008, the Company settled the working capital adjustment with Verizon, resulting in an additional contribution to the Company of approximately $29.0 million from Verizon. In connection with this working capital settlement, the Company paid Verizon $66.3 million for certain payables (offset by any receivables) owed to Verizon affiliates.

After the contribution and immediately prior to the Merger, Verizon spun off Spinco by distributing all of the shares of Spinco common stock to a third-party distribution agent to be held collectively for the benefit of Verizon stockholders. We refer collectively to the transactions described above as the Spin-Off.

The Merger was accounted for using the purchase method of accounting for business combinations and, accordingly, the acquired assets and liabilities of Legacy FairPoint were recorded at their estimated fair values as of the date of acquisition, and Legacy FairPoint's results of operations have been included in the Company's consolidated financial statements from the date of acquisition. During the first quarter of 2009, the Company recorded an adjustment to its deferred tax account which decreased the excess of the purchase price over fair value by $24.3 million. Based upon the Company's purchase price allocation, the excess of the purchase price over the fair value of the net tangible assets acquired was approximately $846.8 million. The Company recorded an intangible asset related to the acquired customer relationships of $208.5 million, an intangible asset related to trade names of $42.8 million and an intangible asset related to a non-compete agreement of $0.4 million. The remaining $595.1 million was recognized as goodwill. The estimated weighted average useful lives of the intangible assets are 9.7 years for the customer relationships, one year for the non-compete agreement and trade names have an indefinite useful life.

(6) Acquisitions and Dispositions (Continued)

The allocation of the total net purchase price of the Merger is shown in the table below (in thousands):

Cash	$ 11,401
Current assets	57,178
Property, plant and equipment	303,261
Investments	8,748
Excess cost over fair value of net assets acquired	595,120
Intangible assets	251,678
Other assets	127,034
Current liabilities	(179,146)
Long term debt	(687,491)
Other liabilities	(171,493)
Total net purchase price	$ 316,290

The following unaudited pro forma information presents the combined results of operations of the Company as though the Merger and related transactions had been consummated on January 1, 2008. These results include certain adjustments, mainly associated with increased interest expense on debt and amortization of intangible assets related to the acquisitions and the related income tax effects. The pro forma financial information does not necessarily reflect the actual results of operations had the Merger been consummated at the beginning of the period or which may be attained in the future (in thousands, except per share data).

	Pro forma nine months ended September 30, 2008
	(unaudited)
Revenue	$1,022,363
Loss from operations	(11,509)
Net loss	(11,509)
Earnings per common share:	
Basic	$ (0.16)
Diluted	(0.16)

(7) Income Taxes

For the three months and nine months ended September 30, 2009, the Company recorded an income tax benefit of $38.2 million and $70.1 million, respectively, resulting in an effective tax rate of 33.7% and 35.8%, respectively, compared to an effective tax rate of 40.6% benefit and 29.7% expense for the three months and nine months ended September 30, 2008, respectively.

The Income Taxes Topic of the ASC requires the Company to apply a "more likely than not" threshold to the recognition and de-recognition of uncertain tax positions. The Company's unrecognized tax benefits totaled $5.6 million and $8.6 million as of September 30, 2009 and December 31, 2008, respectively. The reduction in unrecognized tax benefits was the result of the effective settlement of Spinco's IRS audit involving the 2000 through 2003 tax years and did not have a material impact on the Company's tax provision for the three months or nine months ended September 30, 2009. Of the $5.6 million of unrecognized tax benefits at September 30, 2009, $1.0 million would impact the Company's effective rate, if recognized. The remaining unrecognized tax benefits relate to temporary items and tax reserves recorded in a business combination. Furthermore,

(7) Income Taxes (Continued)

the Company does not anticipate any significant increase or decrease to the unrecognized tax benefits within the next twelve months.

The Company recognizes any interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the nine months ended September 30, 2009, there was a $0.5 million decrease in interest and penalties, primarily as a result of the effective settlement of Spinco's IRS audit involving the 2000 through 2003 tax years. Cumulative interest and penalties totaled $0.8 million and $1.2 million, net of tax, as of September 30, 2009 and December 31, 2008, respectively.

During the three months ended September 30, 2009, the Company received the final tax basis of the fixed assets transferred from Verizon on March 31, 2008. The Company is in the process of confirming this tax basis. Based on the tax basis received from Verizon, the Company has recorded an increase to its deferred tax liability of $11.1 million and a corresponding decrease to additional paid-in capital.

At September 30, 2009, the Company had federal and state NOL carryforwards of $476.3 that will expire from 2019 to 2029. At September 30, 2009, the Company had alternative minimum tax credits of $3.8 million that may be carried forward indefinitely. Legacy FairPoint completed an initial public offering on February 4, 2005, which resulted in an "ownership change" within the meaning of the U.S. Federal income tax laws addressing NOL carryforwards, alternative minimum tax credits, and other similar tax attributes. The Merger (see note 6) also resulted in an ownership change as of March 31, 2008. As a result of these ownership changes, there are specific limitations on the Company's ability to use its NOL carryforwards and other tax attributes. The Company expects that the Restructuring Plan, as currently contemplated, will result in another ownership change for tax purposes and a significant amount of the Company's tax attributes, including NOL carryforwards, will be reduced. See "Filing of Chapter 11 Cases—Impact on Net Operating Loss Carryforwards" in note 2 for a discussion of the possible effects of the Chapter 11 Cases on the Company's net operating loss carryforwards.

The Company or one of its subsidiaries files income tax returns in the federal jurisdiction, and with various state and local governments. The Company is no longer subject to federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to 2004. As of September 30, 2009, Spinco was under IRS audit for the 2004 through 2006 fiscal years. Management believes that the Company has adequately provided for any adjustments that may arise from these audits.

The Verizon Northern New England business used the deferral method of accounting for investment tax credits earned prior to the repeal of investment tax credits by the Tax Reform Act of 1986. The Verizon Northern New England business also deferred certain transitional credits earned after the repeal and amortized these credits over the estimated service lives of the related assets as a reduction to the provision for income taxes.

(8) Interest Rate Swap Agreements

The Company assesses interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Company maintains risk management control systems to monitor interest rate cash flow risk attributable to both the Company's outstanding and forecasted debt obligations. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on the Company's future cash flows.

(8) Interest Rate Swap Agreements (Continued)

The Company uses variable and fixed-rate debt to finance its operations, capital expenditures and acquisitions. The variable-rate debt obligations expose the Company to variability in interest payments due to changes in interest rates. The Company believes it is prudent to limit the variability of a portion of its interest payments. To meet this objective, from time to time, the Company enters into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. The Swaps effectively change the variable rate on the debt obligations to a fixed rate. Under the terms of the Swaps, the Company was required to make a payment if the variable rate was below the fixed rate, or it received a payment if the variable rate was above the fixed rate.

As a result of the restatement described in note 1, the Company was not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under its Credit Facility for the measurement period ended June 30, 2009, which constitutes an event of default under each of the Credit Facility and the Swaps, and may constitute an event of default under the Notes, in each case at June 30, 2009. The historical disclosure contained below does not take the restatement into account.

The Company failed to make payments of $14.0 million due under the Swaps on September 30, 2009, which failure resulted in an event of default under the Swaps upon the expiration of a three business day grace period.

The filing of the Chapter 11 Cases constituted a termination event under the Swaps. Subsequent to the filing of the Chapter 11 Cases, the Company received notification from the counterparties to the Swaps that the Swaps had been terminated. However, the Company believes that any efforts to enforce payment obligations under such debt instruments are stayed as a result of the filing of the Chapter 11 Cases. See note 2.

The chart below provides details of the Swaps.

Effective Date:	Notional Amount	Rate	Rate, including applicable margin	Expiration Date
February 8, 2005	$130.0 Million	4.11%	6.86%	December 31, 2009
April 29, 2005	$50.0 Million	4.72%	7.47%	March 31, 2012
June 30, 2005	$50.0 Million	4.69%	7.44%	March 31, 2011
June 30, 2006	$50.0 Million	5.36%	8.11%	December 31, 2009
December 31, 2007	$65.0 Million	4.91%	7.66%	December 30, 2011
December 31, 2007	$75.0 Million	5.46%	8.21%	December 31, 2010
December 31, 2008	$100.0 Million	5.02%	7.77%	December 31, 2010
December 31, 2009	$150.0 Million	5.65%	8.40%	December 31, 2011
June 30, 2008	$100.0 Million	4.99%	7.74%	December 30, 2010
June 30, 2008	$100.0 Million	4.95%	7.70%	June 30, 2010
June 30, 2008	$100.0 Million	5.45%	8.20%	December 31, 2010
June 30, 2008	$100.0 Million	5.30%	8.05%	December 30, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
December 31, 2010	$300.0 Million	4.49%	7.24%	December 31, 2012
June 30, 2008	$250.0 Million	3.25%	6.00%	December 31, 2010

FAIRPOINT COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(8) Interest Rate Swap Agreements (Continued)

As a result of the Merger, the Company reassessed the accounting treatment of the Swaps and determined that, beginning on April 1, 2008, the Swaps did not meet the criteria for hedge accounting. Therefore, the changes in fair value of the Swaps subsequent to the Merger have been recorded as other income (expense) on the condensed consolidated statement of operations. At September 30, 2009, the fair market value of the Swaps was a net liability of approximately $74.4 million, all of which has been included in current liabilities due to the event of default described above. The Company has recognized losses of $11.5 million and gains of $8.6 million, respectively, on derivative instruments on the consolidated statement of operations as a result of changes in the fair value of the Swaps during the three months and nine months ended September 30, 2009.

The following table summarizes the location and fair value of the Company's derivative instruments in the condensed consolidated balance sheets as of September 30, 2009 and December 31, 2008 (in thousands):

	Fair Value of Liability Derivatives at	
	September 30, 2009	December 31, 2008
Derivatives not designated as hedging instruments under SFAS 133:		
Interest rate contracts located within the balance sheet caption:		
Current liabilities—Interest rate swaps	$74,360	$41,274
Long term liabilities—Interest rate swaps	—	41,681
Total derivatives not designated as hedging instruments under SFAS 133	$74,360	$82,955

The following table summarizes the location and amount of gains (losses) on the Company's derivative instruments in the condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2009 and 2008 (in thousands):

	Location of (Loss) Gain Recognized in Income on Derivatives	Amount of (Loss) Gain Recognized in Income on Derivatives			
		Three months ended September 30,		Nine months ended September 30,	
		2009	2008	2009	2008
Derivatives not designated as hedging instruments					
Interest rate contracts	Gain (loss) on derivative instruments	$(11,536)	$(5,014)	$8,595	$38,109
Total derivatives not designated as hedging instruments		$(11,536)	$(5,014)	$8,595	$38,109

(9) Long Term Debt

Long term debt for the Company at September 30, 2009 and December 31, 2008 is shown below (in thousands):

	September 30, 2009	December 31, 2008
Senior secured credit facility, variable rates ranging from 2.81% to 5.00% (weighted average rate of 4.31%) at September 30, 2009, due 2014 to 2015	$ 1,965,450	$1,930,000
Senior notes, 13.125%, due 2018	549,996	551,000
Discount on senior notes, 13.125%, due 2018	(9,908)	(10,747)
Total outstanding long term debt	2,505,538	2,470,253
Less current portion	(2,505,538)	(45,000)
Total long term debt, net of current portion	$ —	$2,425,253

The estimated fair value of the Company's long term debt at September 30, 2009 is $1,614.4 million based on market prices of the Company's debt securities at the balance sheet date.

As a result of the restatement described in note 1, the Company was not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under its Credit Facility for the measurement period ended June 30, 2009, which constitutes an event of default under each of the Credit Facility and the Swaps, and may constitute an event of default under the Notes, in each case at June 30, 2009. The historical disclosure contained below does not take the restatement into account.

The Company failed to make the September 30, 2009 principal and interest payments required under the Credit Facility. Failure to make the principal payment on the due date and failure to make the interest payment within five days of the due date constituted events of default under the Credit Facility, which permits the lenders to accelerate the maturity of the loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to the Company. In addition, the incurrence of an event of default on the Credit Facility constituted an event of default under the Swaps at September 30, 2009. As such, the Company has classified its obligations under the Credit Facility and the Swaps as current liabilities as of September 30, 2009. Filing of the Chapter 11 Cases constituted an event of default on the New Notes. In addition, the failure to make the October 1, 2009 interest payment on the Notes within thirty days of the due date constituted an event of default under the Notes. As these events of default occurred prior to the issuance of the condensed consolidated financial statements, the Company has classified its obligations under the Notes as current liabilities as of September 30, 2009.

On September 25, 2009, the Company entered into forbearance agreements with the lenders under the Credit Facility and the Swaps under which the lenders agreed to forbear from exercising their rights and remedies under the respective agreements with respect to any events of default through October 30, 2009. On October 26, 2009, the Company filed the Chapter 11 Cases. The filing of the Chapter 11 Cases constituted an event of default under each of the Credit Facility, the New Notes and the Swaps. However, the Company believes that any efforts to enforce payment obligations under these

(9) Long Term Debt (Continued)

agreements are stayed as a result of the filing of the Chapter 11 Cases. For additional information about the impact of the Chapter 11 Cases, see note 2.

The approximate aggregate maturities of long term debt for each of the five years subsequent to September 30, 2009 are as follows (in thousands):

Quarter ending September 30,	
2010	$ 45,000
2011	54,150
2012	63,300
2013	213,300
2014	182,325
Thereafter	1,957,371
	$2,515,446

Pursuant to the Restructuring Plan, the Company does not expect to make any principal or interest payments on its pre-petition debt during the pendency of the Chapter 11 Cases.

Prior to March 31, 2008, debt held by the Verizon Northern New England business was recorded at the Verizon consolidated level and interest expense was allocated to the Verizon Northern New England business.

On March 31, 2008, immediately prior to the Merger, FairPoint and Spinco entered into the Credit Facility consisting of the Revolver, the Term Loan A Facility, the Term Loan B Facility and the Delayed Draw Term Loan. Spinco drew $1,160 million under the Term Loan immediately prior to the Spin-Off, and then the Company drew $470 million under the Term Loan and $5.5 million under the Delayed Draw Term Loan concurrently with the closing of the Merger. Subsequent to the Merger, the Company has drawn an additional $194.5 million under the Delayed Draw Term Loan.

On October 5, 2008 the administrative agent under the Credit Facility filed for bankruptcy. The administrative agent accounted for thirty percent of the loan commitments under the Revolver. On January 21, 2009, the Company entered into an amendment to the Credit Facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn loan commitments under the Revolver, totaling $30.0 million, were terminated and are no longer available to the Company.

The Revolver has a swingline subfacility in the amount of $10 million and a letter of credit subfacility in the amount of $30 million, which will allow issuances of standby letters of credit by the Company. The Credit Facility also permits interest rate and currency exchange swaps and similar arrangements that the Company may enter into with the lenders under the Credit Facility and/or their affiliates.

As of September 30, 2009, the Company had borrowed $150.0 million under the Revolver and letters of credit had been issued for $18.2 million. Accordingly, as of September 30, 2009, the remaining amount available under the Revolver was $2.1 million. The Company also had pending commitments for additional letters of credit totaling $0.7 million as of September 30, 2009. Upon the

(9) Long Term Debt (Continued)

event of default under the Credit Facility relating to the Chapter 11 Cases described herein, the commitments under the Revolver were automatically terminated.

The Term Loan B Facility and the Delayed Draw Term Loan will mature in March 2015 and the Revolver and the Term Loan A Facility will mature in March 2014. Each of the Term Loan A Facility, the Term Loan B Facility and the Delayed Draw Term Loan (collectively, the "Term Loans"), are repayable in quarterly installments in the manner set forth in the Credit Facility beginning June 30, 2009.

Interest rates for borrowings under the Credit Facility will be, at the Company's option, for the Revolver and for the Term Loans at either (a) the Eurodollar rate, as defined in the Credit Facility, plus an applicable margin or (b) the base rate, as defined in the Credit Facility, plus an applicable margin.

The Company's Term Loan B Facility debt is subject to a LIBOR floor of 3.00%. As a result, the Company incurs interest expense at above-market levels when LIBOR rates are below 3.00%.

The Company's effective interest rate on all of its debt, which includes the impact of the Swaps, as of September 30, 2009 is 8.87%.

The Credit Facility provides for payment to the lenders of a commitment fee on the average daily unused portion of the Revolver commitments, payable quarterly in arrears on the last business day of each calendar quarter and on the date upon which the commitment is terminated. The Credit Facility also provides for payment to the lenders of a commitment fee from the closing date of the Credit Facility up through and including the twelve month anniversary thereof on the unused portion of the Delayed Draw Term Loan, payable quarterly in arrears, and on the date upon which the Delayed Draw Term Loan is terminated, as well as other fees.

The Credit Facility requires the Company first to prepay outstanding Term Loan A Facility loans in full, including any applicable fees, interest and expenses and, to the extent that no Term Loan A Facility loans remain outstanding, Term Loan B Facility loans, including any applicable fees, interest and expenses, with, subject to certain conditions and exceptions, 100% of the net cash proceeds the Company receives from any sale, transfer or other disposition of any assets, subject to certain reinvestment rights, 100% of net casualty insurance proceeds, subject to certain reinvestment rights and 100% of the net cash proceeds the Company receives from the issuance of debt obligations and preferred stock. In addition, the Credit Facility requires the Company to prepay outstanding Term Loans on the date the Company delivers a compliance certificate pursuant to the Credit Facility beginning with the fiscal quarter ended June 30, 2009 demonstrating that the Company's leverage ratio for the preceding quarter is greater than 3.50 to 1.00, with an amount equal to the greater of (i) $11,250,000 or (ii) 90% of the Company's excess cash flow calculated after its permitted dividend payment and less its amortization payments made on the Term Loans pursuant to the Credit Facility. Notwithstanding the foregoing, the Company may designate the type of loans which are to be prepaid and the specific borrowings under the affected facility pursuant to which any amounts mandatorily prepaid will be applied in forward order of maturity of the remaining amortization payments.

Voluntary prepayments of borrowings under the Term Loans and optional reductions of the unutilized portion of the Revolver commitments will be permitted upon payment of an applicable

(9) Long Term Debt (Continued)

payment fee, which shall only be applicable to certain prepayments of borrowings as described in the Credit Facility.

Under the Credit Facility, the Company is required to meet certain financial tests, including a minimum cash interest coverage ratio and a maximum total leverage ratio. The Credit Facility contains customary affirmative covenants. The Credit Facility also contains negative covenants and restrictions, including, among others, with respect to redeeming and repurchasing the Company's other indebtedness, loans and investments, additional indebtedness, liens, capital expenditures, changes in the nature of the Company's business, mergers, acquisitions, asset sales and transactions with affiliates. The Credit Facility contains customary events of default, including, but not limited to, failure to pay principal, interest or other amounts when due (subject to customary grace periods), breach of covenants or representations, cross-defaults to certain other indebtedness in excess of specified amounts, judgment defaults in excess of specified amounts, certain ERISA defaults, the failure of any guaranty or security document supporting the Credit Facility and certain events of bankruptcy and insolvency.

The Credit Facility also contains restrictions on the Company's ability to pay dividends on or repurchase its common stock.

The Credit Facility is guaranteed, jointly and severally, by all existing and subsequently acquired or organized wholly owned first-tier domestic subsidiaries of the Company that are holding companies. No guarantee is required of a subsidiary that is an operating company. Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Enhanced Communications of Northern New England Inc. are regulated operating subsidiaries and, accordingly, are not guarantors under the Credit Facility.

The Credit Facility is secured by a first priority perfected security interest in all of the stock, equity interests, promissory notes, partnership interests and membership interests owned by the Company.

On March 31, 2008, Spinco issued $551.0 million aggregate principal amount of the Old Notes. The Old Notes mature on April 1, 2018 and are not redeemable at the Company's option prior to April 1, 2013. Interest is payable on the Old Notes semi-annually in cash on April 1 and October 1 of each year. The notes bear interest at a fixed rate of 13⅛% and principal is due at maturity. The Old Notes were issued at a discount and, accordingly, at the date of their distribution, the Old Notes had a carrying value of $539.8 million (principal amount at maturity of $551.0 million less discount of $11.2 million).

The indenture governing the Old Notes (the "Old Indenture") limits, among other things, the Company's ability to incur additional indebtedness, issue certain preferred stock, repurchase its capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restriction on the ability of the Company's subsidiaries to make distributions or transfer assets to the Company and enter into transactions with affiliates.

The Old Indenture also restricts the Company's ability to pay dividends on or repurchase its common stock under certain circumstances.

During the nine months ended September 30, 2009, the Company repurchased $19.9 million in aggregate principal amount of the Old Notes for an aggregate purchase price of $6.3 million in cash.

(9) Long Term Debt (Continued)

The Company did not repurchase any Old Notes during the three months ended September 30, 2009. In addition, for the three and nine months ended September 30, 2009, the Company repaid $2.2 million and $8.4 million, respectively, of principal under the Term Loan A Facility and, for the nine months ended September 30, 2009, repaid $6.1 million of principal under the Term Loan B Facility. The Company did not make any principal payments on the Term Loan B Facility during the three months ended September 30, 2009. In total, the Company retired $2.2 million and $34.5 million of outstanding debt during the three and nine months ended September 30, 2009, respectively.

On June 24, 2009, the Company launched the Exchange Offer. Concurrently with the Exchange Offer, the Company solicited consents (the "Consent Solicitation") from holders of the Old Notes for certain amendments to the Old Indenture to eliminate or amend substantially all of the restrictive covenants and modify a number of the events of default and certain other provisions previously contained in the Old Indenture (collectively, the "Proposed Amendments").

Issuance of New Notes and Payment of Consent Fee

On July 29, 2009, the Company successfully consummated the Exchange Offer. On the Settlement Date, the Proposed Amendments became operative and $439.6 million in aggregate principal amount of the Old Notes (which amount was equal to approximately 83% of the then outstanding Old Notes) were exchanged for $439.6 million in aggregate principal amount of the New Notes. In addition, pursuant to the terms of the Exchange Offer, an additional $18.9 million in aggregate principal amount of New Notes was issued to holders who tendered their Old Notes in the Exchange Offer as payment for accrued and unpaid interest on the exchanged Old Notes up to, but not including, the Settlement Date.

The New Notes mature on April 2, 2018 and bear interest at a fixed rate of 13⅛%, payable in cash, except that the New Notes bore interest at a rate of 15% for the period from July 29, 2009 through and including September 30, 2009. In addition, the Company was permitted to pay the interest payable on the New Notes for the Initial Interest Payment Period in the form of cash, by capitalizing such interest and adding it to the principal amount of the New Notes or a combination of both cash and such capitalization of interest, at its option. The Company intended to make the interest payments due on October 1, 2009 on the New Notes by capitalizing such interest and adding it to the principal amount of the New Notes. As such, interest payable of $12.2 million at September 30, 2009 was reflected as interest payable in kind on the condensed consolidated balance sheet. As the Notes have been classified as a current liability as of September 30, 2009, the Company has classified the accrued interest on the New Notes as of September 30, 2009 of $12.2 million as a current liability on the condensed consolidated balance sheet.

The New Indenture limits, among other things, the Company's ability to incur additional indebtedness, issue certain preferred stock, repurchase its capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restrictions on the ability of the Company's subsidiaries to make distributions or transfer assets to the Company and enter into transactions with affiliates.

The New Indenture also restricts the Company's ability to pay dividends on or repurchase its common stock under certain circumstances.

(9) Long Term Debt (Continued)

In connection with the Exchange Offer and the corresponding Consent Solicitation, the Company also paid a cash consent fee of $1.6 million in the aggregate to holders of Old Notes who validly delivered and did not revoke consents in the Consent Solicitation prior to a specified early consent deadline, which amount was equal to $3.75 in cash per $1,000 aggregate principal amount of Old Notes exchanged in the Exchange Offer.

DIP Financing

For a discussion of the DIP Financing that was entered into on October 27, 2009 and became effective on October 30, 2009, see note 2.

(10) Employee Benefit Plans

The Company remeasured its pension and other post-employment benefit assets and liabilities as of December 31, 2008, in accordance with the Compensation—Retirement Benefits Topic of the ASC. This measurement is based on a 5.99% discount rate, as well as certain other valuation assumption modifications. Additionally, the Company remeasured its management pension plan as of September 30, 2009 to recognize a settlement charge in accordance with the Compensation—Retirement Benefits Topic of the ASC. This measurement is based on a 5.57% discount rate.

Prior to the Merger, the Verizon Northern New England business participated in Verizon's benefit plans. Verizon maintained noncontributory defined benefit pension plans for many of its employees. The post-retirement health care and life insurance plans for the Verizon Northern New England business' retirees and their dependents were both contributory and noncontributory and included a limit on the Companies' share of cost for recent and future retirees. The Verizon Northern New England business also sponsored defined contribution savings plans to provide opportunities for eligible employees to save for retirement on a tax-deferred basis. A measurement date of December 31 was used for the pension and post-retirement health care and life insurance plans.

The structure of Verizon's benefit plans did not provide for the separate attribution of the related pension and post-retirement assets and obligations at the Verizon Northern New England business level. Because there was not a separate plan for the Verizon Northern New England business, the annual income and expense related to such assets and obligations were allocated to the Verizon Northern New England business and are reflected as prepaid pension assets and employee benefit obligations in the balance sheet prior to the Merger.

After June 30, 2006, Verizon management employees, including management employees of the Verizon Northern New England business, ceased to earn pension benefits or earn service towards the company retiree medical subsidy. In addition, new management employees hired after December 31, 2005 were not eligible for pension benefits and managers with less than 13.5 years of service as of June 30, 2006 were not eligible for company-subsidized retiree healthcare or retiree life insurance benefits. Beginning July 1, 2006, Verizon Northern New England business management employees received an increased company match on their savings plan contributions.

(10) Employee Benefit Plans (Continued)

Components of the net periodic benefit (income) cost related to the Company's pension and post-retirement healthcare plans for the three and nine months ended September 30, 2009 are presented below (in thousands).

	Three Months ended September 30, 2009		Nine Months ended September 30, 2009	
	Qualified Pension	Post-retirement Health	Qualified Pension	Post-retirement Health
Service cost	$ 2,721	$3,413	$ 8,192	$ 9,764
Interest cost	3,453	3,794	10,013	10,362
Expected return on plan assets	(5,153)	—	(15,511)	—
Amortization of prior service cost	363	1,073	1,089	3,219
Amortization of actuarial (gain) loss	286	1,214	598	2,542
Settlement loss	1,627	—	2,514	—
Net periodic benefit cost	$ 3,297	$9,494	$ 6,895	$25,887

In 2009, the Company does not expect to make a contribution to the qualified pension plans, but it does expect to incur $0.5 million in post-retirement healthcare plan expenditures.

For the three months and nine months ended September 30, 2009, the actual gain on the pension plan assets has been approximately 12.7% and 13.6%, respectively. Net periodic benefit cost for 2009 assumes a weighted average annualized expected return on plan assets of approximately 8.3%. Should the actual return on plan assets become significantly lower than the expected return assumption, the net periodic benefit cost may increase in future periods and the Company may be required to contribute additional funds to its pension plans after 2009.

Pension plan assets at September 30, 2009 include an additional transfer of assets from Verizon, estimated to be between $33.0 and $45.6 million, pending final actuarial settlement. This estimate reflects an initial estimate of between $38.5 and $50.0 million as of December 31, 2008, reduced by a final asset transfer of $9.0 million on June 1, 2009 related to the management pension plan, and adjusted for gains and losses since December 31, 2008. For purposes of determining fair value of plan assets at September 30, 2009, the Company has assumed a final transfer of $33.0 million from Verizon for the associate pension plan. The final transfer will be made from Verizon's defined benefit plans' trusts upon final validation by actuaries and the Company of the census information and related actuarial calculations in accordance with relevant statutory and regulatory guidelines and an employee matters agreement with Verizon. The assets transferred from the Verizon benefit plans' trusts to the Company's benefit plans' trusts have been invested by the plans' trustee in various equity and fixed income securities. The final asset transfer will include investment return or loss on the final transfer amount from March 31, 2008 until the date of the final asset transfer equivalent to the rate of return in the Verizon pension trusts.

The Company and its subsidiaries sponsor four voluntary 401(k) savings plans that, in the aggregate, cover substantially all eligible Legacy FairPoint employees, and two voluntary 401(k) savings plans that cover in the aggregate substantially all eligible Northern New England operations employees (collectively, "the 401(k) Plans"). Each 401(k) Plan year, the Company contributes to the 401(k) Plans an amount of matching contributions determined by the Company at its discretion. For the three

(10) Employee Benefit Plans (Continued)

months ended March 31, 2009, the Company generally matched in the Legacy FairPoint 401(k) plans 100% of each employee's contribution up to 3% of compensation and 50% of additional contributions up to 6% or as otherwise required by the relevant collective bargaining agreement; in the Northern New England 401(k) management plan an amount equal to 100% of each employee's contribution up to 6% of base compensation; and in the Northern New England 401(k) plan for union associates an amount equal to 82% of each employee's contribution up to 6% of base compensation.

Effective for the first full payroll period in April 2009, matching contributions made to the Company's 401(k) plans for certain employees may be made in the form of the Company's common stock or in cash. Generally, each participant in these plans would receive a dollar-for-dollar match of FairPoint stock or cash up to 5% of the participant's eligible compensation. For the three months ended June 30, 2009, the foregoing matching contributions were made in the form of cash. Matching contributions earned by participants during the three months ended September 30, 2009 have been accrued by the Company and will be paid, along with matching contributions earned during the three months ending December 31, 2009, in early 2010. Certain participants in the Company's 401(k) plans who are covered by collective bargaining agreements will continue to have their Company matching contributions determined under the prior formula and made in cash.

Total Company contributions to all 401(k) Plans were $2.3 million and $2.5 million for the three months ended September 30, 2009 and 2008, respectively, and were $7.2 million and $7.6 million for the nine months ended September 30, 2009 and 2008, respectively. The $2.3 million of Company contributions during the three months ended September 30, 2009 includes a lump sum contribution of $0.9 million to be made in early 2010 to match certain employee contributions made during the three months ended September 30, 2009.

(11) Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss were as follows (in thousands):

	September 30, 2009	December 31, 2008
Accumulated other comprehensive loss, net of taxes:		
Defined benefit pension and post-retirement plans	$(127,951)	$(134,504)
Total accumulated other comprehensive loss	$(127,951)	$(134,504)

Other Comprehensive Loss for the nine months ended September 30, 2009 includes amortization of defined benefit pension and post-retirement plan related prior service costs and actuarial gains and losses included in Accumulated Other Comprehensive Loss. Defined benefit pension and post-retirement plan activity during the three months ended March 31, 2008 included $49.5 million (net of $32.8 million taxes) in connection with the Merger, which is reflected as a reduction to Accumulated Other Comprehensive Loss. This amount represents the allocation of previously existing plan assets, obligations and prior service costs to the surviving benefit plans upon Merger.

(12) Earnings Per Share

Earnings per share has been computed in accordance with the Earnings per Share Topic of the ASC. Basic earnings per share is computed by dividing net income or loss by the weighted average

(12) Earnings Per Share (Continued)

number of shares of common stock outstanding for the period. Except when the effect would be anti-dilutive, the diluted earnings per share calculation calculated using the treasury stock method includes the impact of stock units, shares of non-vested common stock and shares that could be issued under outstanding stock options. The weighted average number of common shares outstanding for all periods presented has been restated to reflect the issuance of 53,760,623 shares to the stockholders of Spinco in connection with the Merger.

The following table provides a reconciliation of the common shares used for basic earnings per share and diluted earnings per share (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Weighted average number of common shares used for basic earnings per share	89,366	88,999	89,235	71,358
Effect of potential dilutive shares	—	—	—	1,415
Weighted average number of common shares and potential dilutive shares used for diluted earnings per share	89,366	88,999	89,235	72,773
Anti-dilutive shares excluded from the above reconciliation	2,674	2,894	2,312	282

Since the Company incurred a loss for the three and nine months ended September 30, 2009 and the three months ended September 30, 2008, all potentially dilutive securities are anti-dilutive and are, therefore, excluded from the determination of diluted earnings per share.

(13) Stockholders' Equity (Deficit)

On March 31, 2008, FairPoint completed the Merger, pursuant to which Spinco merged with and into FairPoint, with FairPoint continuing as the surviving corporation for legal purposes. In order to effect the Merger, the Company issued 53,760,623 shares of common stock, par value $.01 per share, to Verizon stockholders for their interest in Spinco. At the time of the Merger, Legacy FairPoint had 35,264,945 shares of common stock outstanding. Upon consummation of the Merger, the combined Company had 89,025,568 shares of common stock outstanding. At September 30, 2009, there were 90,015,551 shares of common stock outstanding and 200,000,000 shares of common stock were authorized.

(14) Transactions with Affiliates

The Verizon Northern New England business' financial statements for periods prior to the Merger include the following transactions with Verizon and related subsidiaries:

The Verizon Northern New England business' operating revenue includes transactions with Verizon for the provision of local telephone services, network access, billing and collection services, interconnection agreements and the rental of facilities and equipment. These services were reimbursed by Verizon based on tariffed rates, market prices, negotiated contract terms that approximated market rates, or actual costs incurred by the Verizon Northern New England business.

(14) Transactions with Affiliates (Continued)

The Verizon Northern New England business reimbursed Verizon for specific goods and services it provided to, or arranged for, the Verizon Northern New England business based on tariffed rates, market prices or negotiated terms that approximated market rates. These goods and services included items such as communications and data processing services, office space, professional fees and insurance coverage.

The Verizon Northern New England business also reimbursed Verizon for the Verizon Northern New England business' share of costs incurred by Verizon to provide services on a common basis to all of its subsidiaries. These costs included allocations for legal, security, treasury, tax and audit services. The allocations were based on actual costs incurred by Verizon and periodic studies that identified employees or groups of employees who were totally or partially dedicated to performing activities that benefited the Verizon Northern New England business, in activities such as investor relations, financial planning, marketing services and benefits administration. These allocations were based on actual costs incurred by Verizon, as well as on the size of the Verizon Northern New England business relative to other Verizon subsidiaries. The Company believes that these cost allocations are reasonable for the services provided. The Company also believes that these cost allocations are consistent with the nature and approximate amount of the costs that the Verizon Northern New England business would have incurred on a stand-alone basis.

The Verizon Northern New England business also recognized an allocated portion of interest expense in connection with contractual agreements between the Verizon Companies and Verizon for the provision of short term financing and cash management services. Verizon issues commercial paper and obtains bank loans to fund the working capital requirements of Verizon's subsidiaries, including the Verizon Group, and invests funds in temporary investments on their behalf. The Verizon Group also recognized interest expense related to a promissory note held by Verizon.

The affiliate operating revenue and expense amounts do not include affiliate transactions between Verizon and VLD's, VOL's and VSSI's operations in Maine, New Hampshire and Vermont. Because the Verizon Northern New England business' operating expenses associated with VLD, VOL and VSSI were determined predominantly through allocations, separate identification of the affiliate transactions was not readily available.

(15) Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the ASC defines fair value, establishes a framework for measuring fair value and establishes a hierarchy that categorizes and prioritizes the sources to be used to estimate fair value. This Topic also expands financial statement disclosures about fair value measurements. On February 12, 2008, the FASB issued FASB Staff Position (FSP) 157-2, which delays the effective date of the Fair Value Measurements and Disclosures Topic of the ASC for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company elected a partial deferral of this Topic under the provisions of FSP 157-2 related to the measurement of fair value used when evaluating goodwill, investments, other intangible assets and other long-lived assets for impairment and valuing asset retirement obligations and liabilities for exit or disposal activities until fiscal years beginning after November 15, 2008. As of January 1, 2009, the Company adopted FSP 157-2 which did not have a material impact on the Company's financial statements. The impact of

(15) Fair Value Measurements (Continued)

partially adopting the Fair Value Measurements and Disclosures Topic of the ASC effective January 1, 2008 was not material to the Company's financial statements.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis (at least annually) as of September 30, 2009 (in thousands):

	September 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swaps(1)	(74,360)	—	(74,360)	—

(1) Fair value of interest rate swaps at September 30, 2009 was calculated by the Company using valuation methodologies consistent with those of the counterparties to the underlying contracts. These market values were then discounted for the Company's risk of non-performance, which is represented by the market spread on our debt as of September 30, 2009. See note 8 for more information.

(16) Commitments and Contingencies

(a) Leases

Future minimum lease payments under capital leases and non-cancelable operating leases as of September 30, 2009 are as follows (in thousands):

	Capital Leases	Operating Leases
Twelve months ending September 30:		
2010	$ 3,059	$10,978
2011	2,275	9,106
2012	1,801	7,784
2013	1,605	6,609
2014	1,534	4,543
Thereafter	489	7,952
Total minimum lease payments	$10,763	$46,972
Less interest and executory cost	(2,625)	
Present value of minimum lease payments	8,138	
Less current installments	(2,097)	
Long term obligations at September 30, 2009	$ 6,041	

The Company does not have any leases with contingent rental payments or any leases with contingency renewal, purchase options, or escalation clauses.

(16) Commitments and Contingencies (Continued)

(b) Legal Proceedings

From time to time, the Company is involved in litigation and regulatory proceedings arising out of its operations. With the exception of the Capter 11 Cases, management believes that the Company is not currently a party to any legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on the Company's financial position or results of operations. To the extent the Company is currently involved in any litigation and/or regulatory proceedings, such proceedings have been stayed as a result of the filing of the Chapter 11 Cases. For a discussion of the Chapter 11 Cases, see note 2.

(c) Service Quality Penalties

The Company is subject to certain service quality requirements in the states of Maine, New Hampshire and Vermont. Failure to meet these requirements in any of these states may result in penalties being assessed by the respective state regulatory body. As of September 30, 2009, the Company has recognized an estimated liability for service quality penalties based on metrics defined by the state regulatory authorities in Maine, New Hampshire and Vermont. Applicable orders provide that any penalties assessed by the states be paid by the Company in the form of credits applied to customer bills. Based on the Company's current estimate of its service quality penalties in these states, a $19.4 million increase in the estimated liability was recorded as a reduction to revenue for the three months ended September 30, 2009. The Company has recorded a total liability of $22.4 million on the condensed consolidated balance sheet at September 30, 2009. Additional penalties may be assessed as a result of service quality issues related to the Cutover, which could have a material adverse effect on the Company's financial position, results of operations and liquidity.

At this time, it is unclear what effect the filing of the Chapter 11 Cases will have on the requirements, including service quality penalties, imposed by the PUCs in Maine, New Hampshire and Vermont as a condition to the approval of the Merger and whether such requirements will be enforceable against the Company in the future.

(17) Subsequent Events

Capgemini Settlement Agreement

On October 9, 2009, the Company entered into a Settlement Agreement and Release (the "Settlement Agreement") with Capgemini. The Company had certain invoiced amounts and deferred amounts totaling approximately $49.8 million which it owed to Capgemini under various contracts between Capgemini and the Company. Pursuant to the Settlement Agreement, Capgemini agreed to continue to provide services to the Company in exchange for the Company paying Capgemini ongoing fees plus $30 million of the total $49.8 million, with the Company paying $15 million upon execution of the Settlement Agreement and an additional $15 million on December 31, 2009. The Settlement Agreement also allows Capgemini to, among other things, assert an allowed unsecured claim (to which the Company will not object) for the remaining balance of approximately $19.8 million under the Chapter 11 Cases. The Company also agreed to assume certain contracts with Capgemini under the Chapter 11 Cases.

(17) Subsequent Events (Continued)

The Chapter 11 Cases

On October 26, 2009, the Debtors filed the Chapter 11 Cases. For a discussion of the Chapter 11 Cases, see note 2.

Default Under the Company's Outstanding Debt Instruments

As a result of the restatement described in note 1, the Company was not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under its Credit Facility for the measurement period ended June 30, 2009, which constitutes an event of default under each of the Credit Facility and the Swaps, and may constitute an event of default under the Notes, in each case at June 30, 2009. The historical disclosure contained below does not take the restatement into account.

The filing of the Chapter 11 Cases constituted an event of default under the New Indenture, the Credit Facility and the Swaps. Under the terms of the New Indenture, as a result of the filing of the Chapter 11 Cases, all of the outstanding New Notes became due and payable without further action or notice. Under the terms of the Credit Facility, upon the filing of the Chapter 11 Cases, all commitments under the Credit Facility were terminated and all loans (with accrued interest thereon) and all other amounts outstanding under the Credit Facility (including, without limitation, all amounts under any letters of credit) became immediately due and payable. In addition, as a result of the filing of the Chapter 11 Cases, an early termination event occurred under the Swaps. The Company believes that any efforts to enforce payment obligations under such debt instruments are stayed as a result of the filing of the Chapter 11 Cases.

Prior to the filing of the Chapter 11 Cases, the Company failed to make principal and interest payments due under the Credit Facility on September 30, 2009. The failure to make the principal payment on the due date and failure to make the interest payment within five days of the due date constituted events of default under the Credit Facility. An event of default under the Credit Facility permits the lenders under the Credit Facility to accelerate the maturity of the loans outstanding thereunder, seek foreclosure upon any collateral securing such loans and terminate any remaining commitments to lend to the Company.

The occurrence of an event of default under the Credit Facility constituted an event of default under the Swaps. In addition, the Company failed to make payments due under the Swaps on September 30, 2009, which failure resulted in an event of default under the Swaps upon the expiration of a three business day grace period. As a result of these events of default under the Swaps and the default resulting from the filing of the Chapter 11 Cases under the Swaps, both of the counterparties to the Swaps exercised their rights to declare an early termination of the Swaps and all outstanding amounts under the Swaps became immediately due and payable. The Company has been notified that as of October 26, 2009, the settlement amount, including amounts previously owing by the Company under the Swaps, totaled approximately $98.8 million, as such amount has been determined by the counterparties under the Swaps.

Prior to the filing of the Chapter 11 Cases, the Company also failed to make the October 1, 2009 interest payment on the Notes. The failure to make the interest payment on the Notes constituted an

(17) Subsequent Events (Continued)

event of default under the Notes upon the expiration of a thirty day grace period. An event of default under the Notes permits the holders of the Notes to accelerate the maturity of the Notes.

NYSE Delisting

As a result of the filing of the Chapter 11 Cases, on October 26, 2009, the New York Stock Exchange (the "NYSE") notified FairPoint Communications that it had determined that the listing of FairPoint Communications' common stock should be suspended immediately.

The last day that FairPoint Communications' common stock traded on the NYSE was October 23, 2009. FairPoint Communications does not intend to take any further action to appeal the NYSE's decision, and therefore it is expected that FairPoint Communications' common stock will be delisted after the completion of the NYSE's application to the SEC to delist FairPoint Communications' common stock.

FairPoint Communications' common stock is currently trading under the symbol "FRCMQ" on the pink sheets.

DIP Financing

In connection with the Chapter 11 Cases, on October 27, 2009 the DIP Borrowers entered into the DIP Credit Agreement which became effective on October 30, 2009. See note 2 for further discussion.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Restated).

The following discussion should be read in conjunction with the financial statements of the Company and the notes thereto, and gives effect to the restatement of our interim condensed consolidated financial statements as discussed in note 1 to the condensed consolidated financial statements. This discussion continues to reflect financial results and events as of the date of the Original Filing and has not been updated to reflect other events occurring after the date of the Original Filing or to modify or update those disclosures affected by subsequent events. This amended report for the quarter ended September 30, 2009 is being filed concurrently with amended reports on Forms 10-Q/A for prior quarterly periods ended March 31, and June 30, 2009, containing restated interim condensed consolidated financial statements as of and for the interim periods then ended.

The following discussion includes certain forward-looking statements. For a discussion of important factors, which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, "Part II—Item 1A. Risk Factors" of our Quarterly Report on Form 10-Q for the quarterly periods ending June 30, and March 31, 2009 and "Part II—Item 1A. Risk Factors" and "Cautionary Note Concerning Forward-Looking Statements" contained in this Quarterly Report.

Recent Developments

The Chapter 11 Cases

On October 26, 2009, the Debtors filed the Chapter 11 Cases. For a discussion of the Chapter 11 Cases, see note 2 to our condensed consolidated financial statements.

NYSE Delisting

As a result of the filing of the Chapter 11 Cases, on October 26, 2009, the NYSE notified FairPoint Communications that it had determined that the listing of FairPoint Communications' common stock should be suspended immediately.

The last day that FairPoint Communications' common stock traded on the NYSE was October 23, 2009. FairPoint Communications does not intend to take any further action to appeal the NYSE's decision, and therefore it is expected that FairPoint Communications' common stock will be delisted after the completion of the NYSE's application to the SEC to delist FairPoint Communications' common stock.

FairPoint Communications' common stock is currently trading under the symbol "FRCMQ" on the pink sheets.

DIP Financing

In connection with the Chapter 11 Cases, on October 27, 2009 we entered into the DIP Credit Agreement which became effective on October 30, 2009. See note 2 to our condensed consolidated financial statements for further discussion.

Capgemini Settlement Agreement

On October 9, 2009, we entered into the Settlement Agreement with Capgemini. We had certain invoiced amounts and deferred amounts totaling approximately $49.8 million which we owed to Capgemini under various contracts between Capgemini and us. Pursuant to the Settlement Agreement, Capgemini agreed to continue to provide services to us in exchange for us paying Capgemini ongoing fees plus $30 million of the total $49.8 million, with us paying $15 million upon execution of the Settlement Agreement and an additional $15 million on December 31, 2009. The Settlement Agreement also allows Capgemini to, among other things, assert an allowed unsecured claim (to which we will not object) for the remaining balance of approximately $19.8 million under the Chapter 11 Cases. We also agreed to assume certain contracts with Capgemini under the Chapter 11 Cases.

Overview

We are a leading provider of communications services in rural and small urban communities, offering an array of services, including local and long distance voice, data, video and Internet and broadband product offerings. We are one of the largest telephone companies in the United States focused on serving rural and small urban communities, and are the 7th largest local telephone company in the United States, in each case based on number of access lines as of September 30, 2009. We operate in 18 states with approximately 1.6 million access line equivalents (including voice access lines and high speed data lines, which include DSL, wireless broadband and cable modem) in service as of September 30, 2009.

We were incorporated in Delaware in February 1991 for the purpose of acquiring and operating incumbent telephone companies in rural markets. Many of our telephone companies have served their respective communities for over 75 years.

We are subject to regulation primarily by federal and state governmental agencies. At the federal level, the FCC generally exercises jurisdiction over the facilities and services of communications common carriers, such as FairPoint, to the extent those facilities are used to provide, originate or terminate interstate or international communications. State regulatory commissions generally exercise jurisdiction over common carriers' facilities and services to the extent those facilities are used to provide, originate or terminate intrastate communications. In addition, pursuant to the Telecommunications Act of 1996, which amended the Communications Act of 1934, state and federal regulators share responsibility for implementing and enforcing the domestic pro-competitive policies introduced by that legislation.

Legacy FairPoint's operations and our Northern New England operations operate under different regulatory regimes in certain respects. For example, concerning interstate access, all of the pre-merger regulated interstate services of FairPoint were regulated under a rate-of-return model, while all of the rate-regulated interstate services provided by the Verizon Northern New England business were regulated under a price cap model. We have obtained permission to continue to operate under this regime until the FCC completes its general review of whether to modify or eliminate the "all-or-nothing" rule. Without this permission, the all-or-nothing rule would require that all of our regulated operations be operated under the price cap model for federal regulatory purposes. In addition, while all of our operations generally are subject to obligations that apply to all local exchange carriers, our non-rural operations are subject to additional requirements concerning interconnection, non-discriminatory network access for competitive communications providers and other matters, subject to substantial oversight by state regulatory commissions. In addition, the FCC has ruled that our Northern New England operations must comply with the regulations applicable to the Bell Operating Companies. Our rural and non-rural operations are also subject to different regimes concerning universal service.

As our primary source of revenues, access lines are an important element of our business. Over the past several years, communications companies, including FairPoint, have experienced a decline in access lines due to increased competition, including competition from wireless carriers and cable television operators, the introduction of DSL services (resulting in customers substituting DSL for a second line) and challenging economic conditions. In addition, while we were operating under the Transition Services Agreement, dated as of January 15, 2007, which we entered into with certain subsidiaries of Verizon in connection with the Merger, as amended on March 31, 2008 (the "Transition Services Agreement"), we had limited ability to change current product offerings. Upon completion of the Cutover from the Verizon systems to the new FairPoint systems on January 30, 2009, we expected to be able to modify bundles and prices to be more competitive in the marketplace. However, due to certain systems functionality issues (as described herein), we have had limited ability during the first half of 2009 to make changes to our product offerings. In late June 2009, we began actively marketing and promoting our DSL product for the first time since the Cutover.

From 2007 through January 2009, we were in the process of developing and deploying new systems, processes and personnel to replace those used by Verizon to operate and support our network and back office functions in the Maine, New Hampshire and Vermont operations we acquired from Verizon. These services were provided by Verizon under the Transition Services Agreement through January 30, 2009. On January 30, 2009, we began the Cutover, and on February 9, 2009, we began operating our new platform of systems independently from the Verizon systems, processes and personnel. During the period from January 23, 2009 until January 30, 2009, all retail orders were taken manually and following the Cutover were entered into the new systems. From February 2, 2009 through February 9, 2009, we manually processed only emergency orders, although we continued to provide repair and maintenance services to all customers.

Following the Cutover, many of these systems functioned without significant problems, but a number of the key back-office systems, such as order entry, order management and billing, experienced certain functionality issues. As a result of these systems functionality issues, as well as work force inexperience on the new systems, we experienced increased handle time by customer service representatives for new orders, reduced levels of order flow-through across the systems, which caused delays in provisioning and installation, and delays in the processing of bill cycles and collection treatment efforts. These issues impacted customer satisfaction and resulted in large increases in customer call volumes into our customer service centers. While many of these issues were anticipated, the magnitude of difficulties experienced was beyond our expectations.

We have since worked diligently to remedy these issues and we now believe that most areas of the business are operating at or near normal levels. The order backlog has been reduced significantly and order handle times continue to be reduced. Provisioning of new orders has steadily improved and call volumes into the customer service centers have returned to pre-Cutover levels. In addition, systems functionality supporting our collection efforts continues to improve, but certain functionality is not fully operational. As a result of these functionality issues and past billing issues, our efforts to collect past due amounts continue to be hampered. During the third quarter of 2009, we revised the methodology of calculating the allowance for doubtful accounts based on recent collections experience. The issues discussed above and the change in methodology resulted in a significant increase in our allowance for doubtful accounts during the third quarter of 2009. Overall, delays in implementing the collections software functionality, together with other Cutover issues, have caused an increase in accounts receivable, which has adversely impacted our liquidity.

Because of these Cutover issues, during the three months and nine months ended September 30, 2009 we incurred $2.5 million and $28.8 million, respectively, of incremental expenses in order to operate our business, including third-party contractor costs and internal labor costs in the form of overtime pay. The Cutover issues also required significant staff and senior management attention, diverting their focus from other efforts.

In addition to the significant incremental expenses we incurred as a result of these Cutover issues, we have been unable to fully implement our operating plan for 2009 and effectively compete in the marketplace, which we believe is having an adverse effect on our business, financial condition, results of operations and liquidity.

Basis of Presentation

On March 31, 2008, the Merger between Spinco and Legacy FairPoint was completed. In connection with the Merger and in accordance with the terms of the Merger Agreement, Legacy FairPoint issued 53,760,623 shares of common stock to Verizon stockholders. Prior to the Merger, the Verizon Group engaged in a series of restructuring transactions to effect the transfer of specified assets and liabilities of the Verizon Northern New England business to Spinco and the entities that became Spinco's subsidiaries. Spinco was then spun off from Verizon immediately prior to the Merger. While FairPoint was the surviving entity in the Merger, for accounting purposes Spinco is deemed to be the acquirer. As a result, for the nine months ended September 30, 2008, the statement of operations and the financial information derived from the statement of operations in this Quarterly Report reflect the consolidated financial results of the Company by including the financial results of the Verizon Northern New England business for the three months ended March 31, 2008 and the combined financial results of Spinco and Legacy FairPoint for the six months ended September 30, 2008. For more information, see note 2 to the "Condensed Consolidated Financial Statements."

We view our business of providing voice, data and communication services to residential and business customers as one business segment as defined in the Segment Reporting Topic of the ASC.

The accompanying condensed consolidated financial statements have been prepared assuming that we will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. For further discussion, see note 2 to the condensed consolidated financial statements.

Revenues

We derive our revenues from:

- *Local calling services.* We receive revenues from our telephone operations from the provision of local exchange, local private line, wire maintenance, voice messaging and value-added services. Value-added services are a family of services that expand the utilization of the network, including products such as caller ID, call waiting and call return. The provision of local exchange services not only includes retail revenues but also includes local wholesale revenues from unbundled network elements interconnection revenues from competitive local exchange carriers and wireless carriers, and some data transport revenues.

- *Network access services.* We receive revenues earned from end-user customers and long distance and other competing carriers who use our local exchange facilities to provide usage services to their customers. Switched access revenues are derived from fixed and usage-based charges paid by carriers for access to our local network. Special access revenues originate from carriers and end-users that buy dedicated local and interexchange capacity to support their private networks. Access revenues are earned from resellers who purchase dial-tone services.

- *Interstate access revenue.* Interstate access charges to long distance carriers and other customers are based on access rates filed with the FCC. These revenues also include Universal Service Fund payments for high-cost loop support, local switching support, long term support and interstate common line support.

- *Intrastate access revenue.* These revenues consist primarily of charges paid by long distance companies and other customers for access to our networks in connection with the origination and termination of intrastate telephone calls both to and from our customers. Intrastate access charges to long distance carriers and other customers are based on access rates filed with the state regulatory agencies.

- *Universal Service Fund high-cost loop support.* We receive payments from the Universal Service Fund to support the high cost of operating in rural markets and to provide support for low income subscribers, schools, libraries and rural healthcare.
- *Long distance services.* We receive revenues from long distance services we provide to our residential and business customers. Included in long distance services revenue are revenues received from regional toll calls.
- *Data and Internet services.* We receive revenues from monthly recurring charges for services, including high speed data, Internet and other services.
- *Other services.* We receive revenues from other services, including video services (including cable television and video-over-DSL), public (coin) telephone, billing and collection, directory services and the sale and maintenance of customer premise equipment.

The following table summarizes revenues and the percentage of revenues from the listed sources (in thousands, except for percentage of revenues data):

	Revenues				% of Revenues			
	Three months ended September 30,		Nine months ended September 30,		Three months ended September 30,		Nine months ended September 30,	
	2009 Restated	2008	2009 Restated	2008	2009 Restated	2008	2009 Restated	2008
Revenue Source:								
Local calling services	$ 99,718	$143,415	$337,245	$425,181	37%	44%	39%	44%
Access	94,251	94,094	282,283	274,514	35%	29%	33%	29%
Long distance services	36,751	50,161	115,847	140,518	14%	15%	14%	15%
Data and Internet services	27,456	32,873	83,869	85,445	10%	10%	10%	9%
Other services	12,279	7,712	35,271	29,701	4%	2%	4%	3%
Total	$270,455	$328,255	$854,515	$955,359	100%	100%	100%	100%

Operating Expenses

Our operating expenses consist of cost of services and sales, selling, general and administrative expenses, and depreciation and amortization.

- *Cost of Services and Sales.* Cost of services and sales includes the following costs directly attributable to a service or product: salaries and wages, benefits, materials and supplies, contracted services, network access and transport costs, customer provisioning costs, computer systems support and cost of products sold. Aggregate customer care costs, which include billing and service provisioning, are allocated between cost of services and sales and selling, general and administrative expense.
- *Selling, General and Administrative Expense.* Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, bad debt charges, taxes other than income, advertising and sales commission costs, customer billing, call center and information technology costs, professional service fees and rent for administrative space. Also included in selling, general and administrative expenses are non-cash expenses related to stock based compensation. Stock based compensation consists of compensation charges incurred in connection with the employee stock options, stock units and non-vested stock granted to executive officers and directors.

- *Depreciation and amortization.* Depreciation and amortization includes depreciation of our communications network and equipment and amortization of intangible assets.

Because the Verizon Northern New England business had been operating as the local exchange carrier of Verizon in Maine, New Hampshire and Vermont, and not as a standalone telecommunications provider, the historical operating results of the Verizon Northern New England business for the three months ended March 31, 2008 include approximately $58 million of expenses for services provided by the Verizon Group, including information systems and information technology, shared assets including office space outside of New England, supplemental customer sales and service and operations. During January 30, 2009, we operated under the Transition Services Agreement, under which we incurred $15.9 million of expenses. As of January 30, 2009, we began performing these services internally or obtaining them from third-party service providers and not from Verizon.

Acquisitions and Dispositions

On March 31, 2008, we completed the Merger with Spinco. The Merger of Legacy FairPoint and Spinco was accounted for as a reverse acquisition of Legacy FairPoint by Spinco under the purchase method of accounting because Verizon's stockholders owned at least a majority of the shares of the combined Company following the Merger. The Merger consideration was $316.3 million. Spinco was a wholly-owned subsidiary of Verizon that owned Verizon's local exchange and related business activities in Maine, New Hampshire and Vermont. Spinco was spun off from Verizon immediately prior to the Merger. Spinco served approximately 1,562,000 access line equivalents as of the date of acquisition.

Results of Operations

Three Months Ended September 30, 2009 Compared with Three Months Ended September 30, 2008

The following table sets forth the percentages of revenues represented by selected items reflected in the statements of operations. The year-to-year comparisons of financial results are not necessarily indicative of future results (in thousands, except percentage of revenues data):

	2009 Restated	% of Revenues Restated	2008	% of Revenues
Revenues	$ 270,455	100%	$328,255	100%
Operating expenses				
Cost of services and sales	128,674	48	152,579	46
Selling, general and administrative	118,928	44	104,679	32
Depreciation and amortization	68,013	25	60,768	19
Total operating expenses	315,615	117	318,026	97
Income from operations	(45,160)	(17)	10,229	3
Interest expense	(56,874)	(21)	(49,665)	(15)
Gain (loss) on derivative instruments	(11,536)	(4)	(5,014)	(2)
Other income (expense)	214	—	2,165	1
Income (loss) before income taxes	(113,356)	(42)	(42,285)	(13)
Income tax (expense) benefit	38,154	14	17,176	5
Net income (loss)	$ (75,202)	(28)%	$(25,109)	(8)%

Revenues decreased $57.8 million to $270.5 million in the third quarter of 2009 compared to 2008, of which $19.4 million is due to service quality assessments incurred in the northern New England states. Excluding this reduction in revenue, revenues in each of our revenue categories have been impacted by weakness in the economy during recent months which has caused a decrease in discretionary consumer spending and resulted in an increase in access line losses and a decrease in usage. In addition, our revenues have also been adversely impacted by the effects of competition and technology substitution. Additionally, because of Cutover issues that have prevented us from executing fully on our operating plan for 2009, our revenue has continued to decline. We derive our revenues from the following sources:

Local calling services. Local calling services revenues decreased $43.7 million to $99.7 million during the third quarter of 2009 compared to the same period in 2008. This decrease is partially attributable to a reduction in revenue totaling $19.4 million for the third quarter of 2009 for service quality assessments incurred in the northern New England states and coupled with an 11.2% decline in total voice access lines in service at September 30, 2009 compared to September 30, 2008. The decline in total voice access lines was mainly driven by the effects of competition and technology substitution as well as the weakness of the economy.

Access. Access revenues increased $0.2 million to $94.3 million during the third quarter of 2009 compared to the same period in 2008. This increase consisted of a $4.5 million increase in intrastate revenues, partially offset by a $4.3 million decrease in interstate access revenues, reflecting the impact of access line loss and technology substitution as well as weakness of the economy.

Long distance services. Long distance services revenues decreased $13.4 million to $36.8 million in the third quarter of 2009 compared to the same period in 2008. The decrease was primarily attributable to a decrease in the number of subscriber lines in 2009 due to technology substitution and the weakness of the economy, partially offset by increased revenue from bundled product offerings designed to retain customers and generate more revenue.

Data and Internet services. Data and Internet services revenues decreased $5.4 million to $27.5 million in the third quarter of 2009 compared to the same period in 2008. This decrease is primarily due to a slowing in our high speed data subscriber growth, caused by an absence of promotional advertising of our data and Internet products due to cutover issues as well as the weakness of the economy.

Other services. Other services revenues increased $4.6 million to $12.3 million in the third quarter of 2009 compared to the same period in 2008. A prior period adjustment of $3.3 million related to the second quarter of 2008 was recorded to other services revenues in the third quarter of 2008. Excluding the impact of this adjustment, other services revenues would have increased $1.3 million.

Operating Expenses

Cost of services and sales. Cost of services and sales decreased $23.9 million to $128.7 million in the third quarter of 2009 compared to the same period in 2008. The decrease is primarily related to the elimination of costs under the Transition Services Agreement, which was terminated on January 30, 2009, and the methodology utilized by Verizon to allocate certain expenses to cost of services and sales prior to the Cutover to our own operating systems. Costs incurred under the Transition Services Agreement accounted for $18.9 million of cost of services and sales during the third quarter of 2008. The elimination of these Transition Services Agreement costs has been partially offset by direct costs incurred by us to operate the Northern New England operations.

Selling, general and administrative. Selling, general and administrative expenses increased $14.2 million to $118.9 million in the third quarter of 2009 compared to the same period in 2008. The increase is primarily related to a $19.0 million increase in bad debt expense, $6.1 million in costs incurred in connection with the restructuring of our capital structure, the methodology utilized by Verizon to allocate certain expenses to selling, general and administrative expenses prior to the Cutover to our own operating systems, and direct costs incurred by us to operate the Northern New England operations which has been partially offset by the elimination of costs under the Transition Services Agreement. Costs incurred under the Transition Services Agreement accounted for $30.5 million of selling, general and administrative expense during the third quarter of 2008.

Depreciation and amortization. Depreciation and amortization expense increased $7.2 million to $68.0 million in the third quarter of 2009 compared to the same period in 2008. Adjustments of $4.6 million related to the second quarter of 2008 were recorded in the third quarter of 2008. Excluding the impact of these adjustments, depreciation and amortization expense would have increased $2.6 million, due primarily to increased gross plant asset balances, including capitalized software placed into service upon termination of the Transition Services Agreement.

Other Results

Interest expense. Interest expense increased $7.2 million to $56.9 million in the third quarter of 2009 compared to the same period in 2008. This increase is due to the debt that we incurred subsequent to September 30, 2008. Accrued and unpaid interest on the Old Notes exchanged in the Exchange Offer through July 28, 2009 was paid on July 29, 2009 in the form of additional New Notes totaling $18.9 million (or $4.5 million for the period July 1, 2009 through July 28, 2009). Accrued and unpaid interest on the New Notes from July 29, 2009 through the end of the third quarter 2009 is payable in the form of additional New Notes totaling $12.2 million. The $16.7 million interest expense paid or payable in the form of New Notes has been treated as non-cash for purposes of our financial debt covenants.

Loss on derivative instruments. Loss on derivative instruments represents net gains and losses recognized on the change in fair market value of interest rate swap derivatives. During the three months ended September 30, 2009, we recognized non-cash losses of $11.5 million related to our derivative financial instruments.

Other income (expense). Other income (expense) includes non-operating gains and losses such as those incurred on sale of equipment. Other income was $0.2 million in the third quarter of 2009, compared with other income of $2.2 million in the same period in 2008.

Income taxes. The effective income tax rate is the provision for income taxes stated as a percentage of income before the provision for income taxes. The effective income tax rate in the third quarter of 2009 and 2008 was 33.7% benefit and 40.6% benefit, respectively.

Net income (loss). Net loss for the three months ended September 30, 2009 was $75.2 million compared to net loss of $25.1 million for the same period in 2008. The difference in net income (loss) between 2009 and 2008 is a result of the factors discussed above.

Nine Months Ended September 30, 2009 Compared with Nine Months Ended September 30, 2008

The following table sets forth the percentages of revenues represented by selected items reflected in the statements of operations. The year-to-year comparisons of financial results are not necessarily indicative of future results (in thousands, except percentage of revenues data):

	2009 Restated	% of Revenues Restated	2008	% of Revenues
Revenues	$ 854,515	100%	$ 955,359	100%
Operating expenses				
Cost of services and sales	396,940	47	422,316	44
Selling, general and administrative	310,789	36	270,085	29
Depreciation and amortization	204,740	24	184,434	19
Total operating expenses	912,469	107	876,835	92
Income from operations	(57,954)	(7)	78,524	8
Interest expense	(165,162)	(19)	(109,310)	(11)
Gain on derivative instruments	8,595	1	38,109	4
Gain on early retirement of debt	12,357	1	—	—
Other income	6,433	1	3,415	—
Income (loss) before income taxes	(195,731)	(23)	10,738	1
Income tax (expense) benefit	70,061	8	(3,190)	—
Net income (loss)	$(125,670)	(15)%	$ 7,548	1%

Revenues decreased $100.8 million to $854.5 million in 2009 compared to 2008. The acquisition of Legacy FairPoint contributed $185.6 million and $131.8 million to total revenues in the nine months ended September 30, 2009 and 2008, respectively. Excluding the impact of the Merger, combined total revenue would have decreased $154.6 million. Revenues in each of our revenue categories have been impacted by weakness in the economy during recent months which has caused a decrease in discretionary consumer spending and resulted in an increase in access line losses and a decrease in usage. Our revenues have also been adversely impacted by the effects of competition and technology substitution. Additionally, because of Cutover issues that have prevented us from executing fully on our operating plan for 2009, our revenue has continued to decline. We derive our revenues from the following sources:

Local calling services. Local calling services revenues decreased $87.9 million to $337.2 million during the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $54.8 million and $42.0 million to local revenue for the nine months ended September 30, 2009 and 2008, respectively. Excluding the impact of the Merger, local calling services revenues would have decreased $100.7 million compared to the prior year. This decrease is partially attributable to a reduction in revenue totaling $21.0 million for the nine months ended September 30, 2009 for service quality penalties incurred in the northern New England states coupled with an 11.2% decline in total voice access lines in service at September 30, 2009 compared to September 30, 2008. The revenue decline was mainly driven by the effects of competition and technology substitution as well as the weakness of the economy.

Access. Access revenues increased $7.8 million to $282.3 million during the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $70.3 million and $47.0 million to access revenues for the nine months ended September 30, 2009 and 2008, respectively. Excluding the impact of the Merger, access revenues would have decreased by $15.5 million. Of this decrease, $16.1 million was attributable to a decrease in interstate revenues, reflecting the impact of access line loss and technology substitution as well as weakness of the economy, partially offset by a $0.6 million increase in intrastate revenues.

Long distance services. Long distance services revenues decreased $24.7 million to $115.8 million in the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $20.6 million and $15.5 million to long distance revenues in the nine months ended September 30, 2009 and 2008, respectively. Excluding the impact of the Merger, long distance revenues would have decreased $29.8 million. The decrease was primarily attributable to a decrease in the number of subscriber lines in 2009 due to technology substitution and the weakness of the economy, partially offset by increased revenue from bundled product offerings designed to retain customers and generate more revenue.

Data and Internet services. Data and Internet services revenues decreased $1.6 million to $83.9 million in the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $27.2 million and $18.5 million to data and Internet services revenues in the nine months ended September 30, 2009 and 2008, respectively. Excluding the impact of the Merger, data and Internet services revenues would have decreased $10.3 million. This decrease is primarily due to a slowing in our high speed data subscriber growth, caused by an absence of promotional advertising of our data and Internet products due to Cutover issues as well as the weakness of the economy.

Other services. Other services revenues increased $5.6 million to $35.3 million in the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $12.7 million and $8.8 million to other services revenues in the nine months ended September 30, 2009 and 2008, respectively. Excluding the impact of the Merger, other services revenues would have increased $1.7 million.

Operating Expenses

Cost of services and sales. Cost of services and sales decreased $25.4 million to $396.9 million in the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $68.5 million and $49.7 million to cost of services and sales expenses in the nine months ended September 30, 2009 and 2008, respectively. Also included in cost of services and sales for the nine months ended September 30, 2009 and 2008 are $6.1 million and $37.8 million, respectively, of expenses related to the Transition Services Agreement, which was terminated on January 30, 2009. Excluding the impact of the Merger and the Transition Services Agreement, cost of services and sales would have declined $12.5 million. The decline reflects the elimination of costs allocated from Verizon affiliates prior to the closing of the Merger and the methodology utilized by Verizon to allocate certain expenses to cost of services and sales prior to the Cutover to our own operating systems, which has more than offset direct costs incurred by us to operate our Northern New England operations.

Selling, general and administrative. Selling, general and administrative expenses increased $40.7 million to $310.8 million in the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $62.0 million and $29.7 million to selling, general and administrative expenses in the nine months ended September 30, 2009 and 2008, respectively. Included in selling, general and administrative expenses for the nine months ended September 30, 2009 and 2008 are $9.8 million and $61.1 million, respectively, of expenses related to the transition services agreement and $28.0 million and $25.3 million, respectively, of non-recurring Cutover related costs (which we are allowed to add back to adjusted EBITDA under the Credit Facility). Excluding the impact of the Merger and the Transition Services Agreement, selling, general and administrative expenses would have increased $57.0 million. The increase is primarily due to a $27.3 million increase in bad debt expense, increases in other operating expenses, some of which is attributable to the methodology utilized by Verizon to allocate certain expenses to selling, general and administrative expenses prior to the Cutover to our own operating systems, as well as $7.3 million in costs incurred to effect a restructuring of our capital structure.

Depreciation and amortization. Depreciation and amortization expense increased $20.3 million to $204.7 million in the nine months ended September 30, 2009 compared to the same period in 2008. Legacy FairPoint contributed $27.4 million and $27.1 million to depreciation and amortization expenses in the nine months ended September 30, 2009 and 2008, respectively. Excluding the impact of the Merger, depreciation and amortization expense would have increased $20.0 million, due primarily to increased gross plant asset balances, including capitalized software placed into service upon termination of the Transition Services Agreement. Also contributing to the increase in depreciation and amortization expense is an increase of $5.6 million in amortization expense on intangible assets acquired in the Merger, as no such amortization expense was recognized during the first quarter of 2008, prior to the Merger.

Other Results

Interest expense. Interest expense increased $55.9 million to $165.2 million in the nine months ended September 30, 2009 compared to the same period in 2008. This increase is due to the debt that we incurred upon and subsequent to the closing of the Merger. Accrued and unpaid interest on the Old Notes exchanged in the Exchange Offer through July 28, 2009 was paid on July 29, 2009 in the form of additional New Notes totaling $18.9 million. Accrued and unpaid interest on the New Notes from July 29, 2009 through the end of the third quarter 2009 is payable in the form of additional New Notes totaling $12.2 million. The $31.1 million interest expense paid or payable in the form of New Notes has been treated as non-cash for purposes of our financial debt covenants.

Gain on derivative instruments. Gain on derivative instruments represents net gains and losses recognized on the change in fair market value of interest rate swap derivatives. During the nine months ended September 30, 2009 and 2008, we recognized non-cash gains of $8.6 million and $38.1 million, respectively, related to our derivative financial instruments.

Gain on early retirement of debt. Gain on early retirement of debt represents $13.2 million net gains recognized on the repurchase of $19.9 million aggregate principal amount of the Old Notes during the nine months ended September 30, 2009, partially offset by a loss of $0.8 million attributable to writing off a portion of the unamortized debt issue costs associated with the Credit Facility.

Other income (expense). Other income (expense) includes non-operating gains and losses such as those incurred on sale of equipment. Other income increased $3.0 million to $6.4 million in the nine months ended September 30, 2009 compared to the same period in 2008. The increase was primarily attributable to a one-time gain of $5.4 million recognized in the first quarter of 2009 related to the settlement under the Transition Agreement we entered into with Verizon on January 30, 2009, in connection with the Cutover, as contemplated by the Transition Services Agreement (the "Transition Agreement").

Income taxes. The effective income tax rate is the provision for income taxes stated as a percentage of income before the provision for income taxes. The effective income tax rate in the nine months ended September 30, 2009 and 2008 was 35.8% benefit and 29.7% expense, respectively.

Net income (loss). Net loss for the nine months ended September 30, 2009 was ($125.7) million compared to net income of $7.5 million for the same period in 2008. The difference in net income (loss) between 2009 and 2008 is a result of the factors discussed above.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies

Our critical accounting policies are as follows:

- Revenue recognition;

- Allowance for doubtful accounts;
- Accounting for pension and other post-retirement benefits;
- Accounting for income taxes;
- Depreciation of property, plant and equipment;
- Valuation of long-lived assets, including goodwill;
- Accounting for software development costs; and
- Purchase accounting.

Revenue Recognition. We recognize service revenues based upon usage of our local exchange network and facilities and contract fees. Fixed fees for local telephone, long distance, Internet services and certain other services are recognized in the month the service is provided. Revenue from other services that are not fixed fee or that exceed contracted amounts is recognized when those services are provided. Non-recurring customer activation fees, along with the related costs up to, but not exceeding, the activation fees, are deferred and amortized over the customer relationship period.

Allowance for Doubtful Accounts. In evaluating the collectability of our accounts receivable, we assess a number of factors, including a specific customer's or carrier's ability to meet its financial obligations to us, the length of time the receivable has been past due and historical collection experience. Based on these assessments, we record both specific and general reserves for uncollectible accounts receivable to reduce the related accounts receivable to the amount we ultimately expect to collect from customers and carriers. If circumstances change or economic conditions worsen such that our past collection experience is no longer relevant, our estimate of the recoverability of our accounts receivable could be further reduced from the levels reflected in our accompanying condensed consolidated balance sheet.

Accounting for Pension and Other Post-retirement Benefits. Some of our employees participate in our pension plans and other post-retirement benefit plans. In the aggregate, the pension plan benefit obligations exceed the fair value of pension plan assets, resulting in expense. Other post-retirement benefit plans have larger benefit obligations than plan assets, resulting in expense. Significant pension and other post-retirement benefit plan assumptions, including the discount rate used, the long term rate of return on plan assets, and medical cost trend rates are periodically updated and impact the amount of benefit plan income, expense, assets and obligations.

Accounting for Income Taxes. Our current and deferred income taxes are affected by events and transactions arising in the normal course of business, as well as in connection with the adoption of new accounting standards and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual payments may differ from these estimates as a result of changes in tax laws, as well as unanticipated future transactions affecting related income tax balances. We account for tax benefits taken or expected to be taken in our tax returns in accordance with the Income Taxes Topic of the ASC, which requires the use of a two step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions.

Depreciation of Property, Plant and Equipment. We recognize depreciation on property, plant and equipment principally on the composite group remaining life method and straight-line composite rates over estimated useful lives ranging from three to 50 years. This method provides for the recognition of the cost of the remaining net investment in telephone plant, less anticipated net salvage value (if any), over the remaining asset lives. This method requires the periodic revision of depreciation rates. Changes in the estimated useful lives of property, plant and equipment or depreciation methods could have a material effect on our results of operations.

Valuation of Long-lived Assets, Including Goodwill. We review our long-lived assets, including goodwill, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Several factors could trigger an impairment review such as:

- significant underperformance relative to expected historical or projected future operating results;
- significant regulatory changes that would impact future operating revenues;
- significant negative industry or economic trends; and
- significant changes in the overall strategy in which we operate our overall business.

Goodwill was $595.1 million at September 30, 2009. We have recorded intangible assets related to the acquired companies' customer relationships and trade names of $251.7 million as of September 30, 2009. As of September 30, 2009, there was $34.2 million of accumulated amortization recorded. These intangible assets are being amortized over a weighted average life of approximately 9.7 years. The intangible assets are included in intangible assets on our condensed consolidated balance sheet.

We are required to perform an impairment review of goodwill as required by the Intangibles—Goodwill and Other Topic of the ASC annually or when impairment indicators are noted. Goodwill impairment is determined using a two-step process. Step one compares the estimated fair value of our single wireline reporting unit (calculated using the market approach and the income approach) to its carrying amount, including goodwill. The market approach compares our fair value, as measured by our market capitalization, to our carrying amount, which represents our shareholders' equity balance. As of September 30, 2009, shareholders' deficit totaled $104.8 million. The income approach compares our fair value, as measured by discounted expected future cash flows, to our carrying amount. If our carrying amount exceeds our estimated fair value, there is a potential impairment and step two must be performed.

Step two compares the implied fair value of our goodwill (i.e., our fair value less the fair value of our assets and liabilities, including identifiable intangible assets) to our goodwill carrying amount. If the carrying amount of our goodwill exceeds the implied fair value of our goodwill, the excess is required to be recorded as an impairment.

We performed step one of our annual goodwill impairment assessment as of October 1, 2008 and concluded that there was no indication of impairment at that time. In light of our operating performance during the first half of 2009, which was impacted by issues associated with the January 30, 2009 systems cutover, we performed another goodwill impairment assessment as of June 30, 2009. After applying the impairment test at June 30, 2009, it was determined that goodwill was not impaired.

While no impairment charges resulted from the analysis performed at June 30, 2009, impairment charges may occur in the future due to the outcome of the Chapter 11 Cases or the application of "fresh start" accounting upon our emergence from Chapter 11.

Accounting for Software Development Costs. We capitalize certain costs incurred in connection with developing or obtaining internal use software in accordance with the Intangibles—Goodwill and Other Topic of the ASC. Capitalized costs include direct development costs associated with internal use software, including direct labor costs and external costs of materials and services. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Purchase Accounting. Prior to the adoption of the ASC we recognized the acquisition of companies in accordance with SFAS No. 141, *Accounting for Business Combinations* ("SFAS 141"). The cost of an acquisition was allocated to the assets acquired and liabilities assumed based on their fair values as of the close of the acquisition, with amounts exceeding the fair value being recorded as goodwill. All future business combinations will be recognized in accordance with the Business Combinations Topic of the ASC.

New Accounting Standards

On July 1, 2009, we adopted the FASB ASC. The FASB has established the ASC as the source of authoritative principles and standards recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The adoption of the ASC had no impact on our consolidated results of operations and financial position.

On January 1, 2009, we adopted the accounting standard relating to business combinations. This standard establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This standard is to be applied prospectively to business combinations for which the acquisition date is on or after an entity's fiscal year that begins after December 15, 2008. We will assess the impact of this standard if and when a future acquisition occurs.

On January 1, 2009, we adopted the accounting standard relating to disclosures about derivative instruments and hedging activities. This standard requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under the Derivatives and Hedging Topic of the ASC and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2008. The adoption of this standard had no impact on our consolidated results of operations and financial position.

On June 15, 2009, we adopted the accounting standard relating to interim disclosures about fair value of financial instruments. This standard extends financial instrument fair value disclosure to interim financial statements of publicly traded companies. This standard is effective for interim reporting periods ending after June 15, 2009. The adoption of this standard had no impact on our consolidated results of operations and financial position.

On June 15, 2009, we adopted the accounting standard relating to subsequent events. This standard establishes principles and requirements for identifying, recognizing and disclosing subsequent events. This standard requires that an entity identify the type of subsequent event as either recognized or unrecognized, and disclose the date through which the entity has evaluated subsequent events. This standard is effective for interim or annual financial periods ending after June 15, 2009. The adoption of this standard had no impact on the Company's consolidated results of operations and financial position.

In December 2008, the accounting standard regarding employers' disclosures about postretirement benefit plan assets was updated to require the Company, as a plan sponsor, to provide disclosures about plan assets, including categories of plan assets, the nature of concentrations of risk and disclosures about fair value measurements of plan assets. This standard is effective for fiscal years ending after December 15, 2009. The adoption of this standard is not expected to have a significant impact on the Company's our consolidated results of operations and financial position.

Inflation

We do not believe inflation has a significant effect on our operations.

Liquidity and Capital Resources

On October 26, 2009, the Debtors filed the Chapter 11 Cases. The matters described herein, to the extent that they relate to future events or expectations, may be significantly affected by the Chapter 11

Cases. The Chapter 11 Cases involve various restrictions on our activities, limitations on financing, the need to obtain Bankruptcy Court approval for various matters and uncertainty as to relationships with others whom we may conduct or seek to conduct business. As a result of the risks and uncertainties associated with the Chapter 11 Cases, the value of our securities and how our liabilities will ultimately be treated is highly speculative. We urge that appropriate caution be exercised with respect to existing and future investments in any of the liabilities and/or securities of the Debtors. See Note 2 to our Condensed Consolidated Financial Statements for a further description of the Chapter 11 Cases, the impact of the Chapter 11 Cases, the proceedings in Bankruptcy Court and our status as a going concern. In addition, see "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008 and "Part II—Item 1A. Risk Factors" contained in this Quarterly Report.

Our short term and long term liquidity needs arise primarily from: (i) interest and principal payments on our indebtedness; (ii) capital expenditures; and (iii) working capital requirements as may be needed to support and grow our business. Notwithstanding the direct impact of the Chapter 11 Cases on our liquidity, including the stay of payments on our indebtedness, our current and future liquidity is greatly dependent upon our operating results. We expect that our primary sources of liquidity during the pendency of the Chapter 11 Cases will be cash flow from operations, cash on hand and funds available under the DIP Credit Agreement. The Chapter 11 Cases were filed to gain liquidity for our continuing operations while we restructure our balance sheet to allow us to be a viable going concern. Our continuation as a going concern is contingent upon, among other things, our ability: (i) to comply with the terms and conditions of the DIP Credit Agreement; (ii) to obtain confirmation of a plan of reorganization under the Bankruptcy Code; (iii) to generate sufficient cash flow from operations; and (iv) to obtain financing sources to meet our future obligations. We believe the consummation of a successful restructuring under the Bankruptcy Code is critical to our continued viability and long-term liquidity. While we believe we will be able to achieve these objectives through the Chapter 11 reorganization process, there can be no certainty that we will be successful in doing so.

In connection with the Chapter 11 Cases, the Borrowers entered into the DIP Credit Agreement. The DIP Credit Agreement provides for a revolving facility in an aggregate principal amount of up to $75 million, of which up to $30 million is also available in the form of one or more letters of credit that may be issued to third parties for the account of the Company and its subsidiaries. Pursuant to the Interim Order, the Borrowers were authorized to enter into and immediately draw upon the DIP Credit Agreement on an interim basis, pending a final hearing before the Bankruptcy Court, in an aggregate amount of $20 million. If the Bankruptcy Court enters a final order in connection with the DIP Credit Agreement, the Borrowers will be permitted access to the total amount of the DIP Financing, subject to the terms and conditions of the DIP Credit Agreement and related orders of the Bankruptcy Court. The DIP Credit Agreement became effective by its terms on October 30, 2009. For a further description of the DIP Credit Agreement and the terms thereof, see Note 2 to our condensed consolidated financial statements. Upon satisfaction of certain conditions precedent, including the Company successfully exiting from the Chapter 11 Cases, the DIP Financing will roll into a new revolving credit facility with a five-year term.

Cash and cash equivalents at September 30, 2009 totaled $63.5 million compared to $81.0 million at June 30, 2009, excluding restricted cash of $2.9 million and $3.4 million, respectively.

Net cash provided by operating activities was $54.1 million and $36.2 million for the nine months ended September 30, 2009 and 2008, respectively.

Net cash used in investing activities was $128.9 million and $175.7 million for the nine months ended September 30, 2009 and 2008, respectively. These cash flows primarily reflect capital expenditures of $130.1 million and $189.2 million for the nine months ended September 30, 2009 and 2008, respectively. Net cash used in investing activities also includes acquired cash of $11.4 million for the nine months ended September 30, 2008.

Net cash provided by financing activities was $68.0 million and $307.5 million for the nine months ended September 30, 2009 and 2008, respectively. For the nine months ended September 30, 2009, net proceeds from FairPoint's issuance of long term debt were $50.0 million, repayment of long term debt was $20.8 million and dividends to stockholders was $23.0 million. Additionally, $65.6 million was released from restricted cash during the nine months ended September 30, 2009.

We expect our capital expenditures will be approximately $190 million to $210 million in 2009. However, this expectation does not take into account the effect that the filing of the Chapter 11 Cases will have on the capital expenditure requirements imposed by the PUCs in Maine, New Hampshire and Vermont as a condition to the to the approval of the Merger and whether such requirements will be enforceable against us in the future. We anticipate that we will fund these expenditures through cash flows from operations, cash on hand and funds available under the DIP Credit Agreement.

We expect our contributions to our employee pension plans and post-retirement medical plans will be approximately $0.5 million in 2009.

On July 29, 2009, we successfully consummated the Exchange Offer. On the Settlement Date, $439.6 million in aggregate principal amount of the Old Notes (which amount was equal to approximately 83% of the then outstanding Old Notes) were exchanged for $458.5 million in aggregate principal amount of the New Notes (which amount includes New Notes issued to tendering noteholders as payment for accrued and unpaid interest on the exchanged Old Notes up to, but not including, the Settlement Date). Interest expense paid in the form of New Notes has been treated as non-cash for purposes of our financial debt covenants. As the Notes have been classified as a current liability as of September 30, 2009, we have classified the accrued interest on the New Notes as of September 30, 2009 of $12.2 million as a current liability on the condensed consolidated balance sheet.

In connection with the Exchange Offer and the corresponding Consent Solicitation, we also paid a cash consent fee of $1.6 million in the aggregate to holders of Old Notes who validly delivered and did not revoke consents in the Consent Solicitation prior to a specified early consent deadline.

As a result of the restatement described in note 1, we were not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under the Credit Facility for the measurement period ended June 30, 2009, which constitutes an event of default under each of the Credit Facility and the Swaps, and may constitute an event of default under the Notes, in each case at June 30, 2009. The historical disclosure contained below does not take the restatement into account.

After giving effect to the conversion of a portion of our cash interest expense to non-cash interest expense as a result of the Exchange Offer, we were able to maintain compliance with all the financial covenants contained in the Credit Facility as of June 30, 2009.

The Exchange Offer was the first step in our efforts to restructure our capital structure. Following unsuccessful efforts to negotiate an out-of-court restructuring with the holders of the Notes, we entered into discussions with certain of the lenders under the Credit Facility. On September 25, 2009, we entered into the Forbearance Agreement with lenders holding approximately 68% of the loans and commitments outstanding under the Credit Facility (the "Forbearing Lenders"). The Forbearance Agreement permitted us to forgo certain principal and interest payments due on September 30, 2009 under the Credit Facility. Further, the Forbearing Lenders agreed to forbear from accelerating the maturity of the loans outstanding under the Credit Facility and from exercising any other remedies thereunder until October 30, 2009 if we failed to meet certain interest coverage ratio and leverage ratio covenants contained in the Credit Facility for the period ended September 30, 2009.

In addition, we entered into certain forbearance agreements with the counterparties to the Swaps.

Following the execution of these forbearance agreements, we engaged in extensive negotiations with the Steering Committee regarding a recapitalization of our significant indebtedness. Subsequently, we and the Steering Committee reached agreement on the plan term sheet dated October 25, 2009, which provides the framework for a comprehensive balance sheet restructuring that would result in the conversion of more than $1.7 billion of debt into equity, consisting of $1.2 billion of debt under the Credit Facility and all of the outstanding Notes.

For a further description of the background to the filing of the Chapter 11 Cases, see note 2 to our condensed consolidated financial statements.

Our Pre-petition Credit Facility

Our $2,030 million Pre-petition Credit Facility consists of a non-amortizing revolving facility in an aggregate principal amount of $200 million, a senior secured term loan A facility in an aggregate principal amount of $500 million, a senior secured term loan B facility in the aggregate principal amount of $1,130 million and a delayed draw term loan facility in an aggregate principal amount of $200 million. Spinco drew $1,160 million under the Term Loan immediately prior to being spun off by Verizon, and then FairPoint drew $470 million under the Term Loan and $5.5 million under the Delayed Draw Term Loan concurrently with the closing of the Merger.

Subsequent to the Merger, we borrowed the remaining $194.5 million available under the Delayed Draw Term Loan. These funds were used for certain capital expenditures and other expenses associated with the Merger.

On October 5, 2008, the administrative agent under our Pre-petition Credit Facility filed for bankruptcy. The administrative agent accounted for thirty percent of the loan commitments under the Revolver. On January 21, 2009, we entered into an amendment to our Pre-petition Credit Facility under which, among other things, the administrative agent resigned and was replaced by a new administrative agent. In addition, the resigning administrative agent's undrawn commitments under the Revolver, totaling $30.0 million, were terminated and are no longer available to us.

The Revolver has a swingline subfacility in the amount of $10.0 million and a letter of credit subfacility in the amount of $30.0 million, which allows for issuances of standby letters of credit for our account. Our Pre-petition Credit Facility also permits interest rate and currency exchange swaps and similar arrangements that we may enter into with the lenders under our Pre-petition Credit Facility and/or their affiliates.

As of September 30, 2009, we had borrowed $150.0 million under the Revolver and letters of credit had been issued for $18.2 million. Accordingly, as of September 30, 2009, the remaining amount available under the Revolver is $2.1 million. As of September 30, 2009, we also had pending commitments for additional letters of credit totaling $0.7 million.

The Term Loan B Facility and the Delayed Draw Term Loan will mature in March 2015 and the Revolver and the Term Loan A Facility will mature in March 2014. Each of the Term Loan A Facility, the Term Loan B Facility and the Delayed Draw Term Loan are repayable in quarterly installments in the manner set forth in our Pre-petition Credit Facility.

Interest rates for borrowings under our Pre-petition Credit Facility are, at our option, for the Revolver and for the Term Loans at either (a) the Eurodollar rate, as defined in the Credit Facility, plus an applicable margin or (b) the base rate, as defined in the Credit Facility, plus an applicable margin.

Our Pre-petition Credit Facility contains customary affirmative covenants and also contains negative covenants and restrictions, including, among others, with respect to the redemption or repurchase of our other indebtedness, loans and investments, additional indebtedness, liens, capital expenditures, changes in the nature of our business, mergers, acquisitions, asset sales and transactions with affiliates.

Scheduled amortization payments on our Pre-petition Credit Facility began on the Term Loan A Facility in 2009 and will begin on the Term Loan B Facility in 2010 and on the Delayed Draw Term Loan in 2011. No principal payments are due on the Notes prior to their maturity. As a result of the

Chapter 11 Cases, we do not expect to make any additional principal or interest payments on our pre-petition debt.

Borrowings under our Pre-petition Credit Facility bear interest at variable interest rates. We have entered into the Swaps which are detailed in note 8 of the notes to our condensed consolidated financial statements for the nine months ended September 30, 2009 included in this Quarterly Report. As a result of the Swaps, approximately 77% of our indebtedness effectively bore interest at fixed rates rather than variable rates as of September 30, 2009. After the Swaps expire, our annual debt service obligations on such portion of the Term Loans will vary from year to year unless we enter into a new interest rate swap or purchase an interest rate cap or other interest rate hedge. To the extent interest rates increase in the future, we may not be able to enter into new interest rate swaps or to purchase interest rate caps or other interest rate hedges on acceptable terms.

The filing of the Chapter 11 Cases constitutes an event of default under our Pre-petition Credit Facility and the Swaps. See note 2 to our condensed consolidated financial statements.

For the three and nine months ended September 30, 2009, we repaid $2.2 million and $8.4 million, respectively, of principal under the Term Loan A Facility and, for the nine months ended September 30, 2009, repaid $6.1 million of principal under the Term Loan B Facility. We did not make any principal payments on the Term Loan B Facility during the three months ended September 30, 2009.

Our Pre-petition Notes

Spinco issued, and we assumed in the Merger, $551.0 million aggregate principal amount of the Old Notes. The Old Notes mature on April 1, 2018 and are not redeemable at our option prior to April 1, 2013. Interest is payable on the Old Notes semi-annually, in cash, on April 1 and October 1. The Old Notes bear interest at a fixed rate of 13⅛% and principal is due at maturity. The Old Notes were issued at a discount and, accordingly, at the date of their distribution, the Old Notes had a carrying value of $539.8 million (principal amount at maturity of $551.0 million less discount of $11.2 million).

Upon the consummation of the Exchange Offer and the corresponding Consent Solicitation, substantially all of the restrictive covenants in the Old Indenture were deleted or eliminated and certain of the events of default and various other provisions contained therein were modified.

Pursuant to the Exchange Offer, on July 29, 2009, we exchanged $439.6 million in aggregate principal amount of the Old Notes (which amount was equal to approximately 83% of the then outstanding Old Notes) for $458.5 million in aggregate principal amount of the New Notes (which amount includes New Notes issued to tendering noteholders as payment for accrued and unpaid interest on the exchanged Old Notes up to, but not including, the Settlement Date). The New Notes mature on April 2, 2018 and bear interest at a fixed rate of 13⅛%, payable in cash, except that the New Notes bore interest at a rate of 15% for the period from July 29, 2009 through and including September 30, 2009. In addition, we were permitted to pay the interest payable on the New Notes for the Initial Interest Payment Period in the form of cash, by capitalizing such interest and adding it to the principal amount of the New Notes or a combination of both cash and such capitalization of interest, at our option.

The New Indenture limits, among other things, our ability to incur additional indebtedness, issue certain preferred stock, repurchase our capital stock or subordinated debt, make certain investments, create certain liens, sell certain assets or merge or consolidate with or into other companies, incur restrictions on the ability of our subsidiaries to make distributions or transfer assets to us and enter into transactions with affiliates.

The New Indenture also restricts our ability to pay dividends on or repurchase our common stock under certain circumstances.

During the nine months ended September 30, 2009, we repurchased $19.9 million in aggregate principal amount of the Old Notes for an aggregate purchase price of $6.3 million in cash. We did not repurchase any Old Notes during the three months ended September 30, 2009. In total, including amounts repaid under the Term Loan A Facility and Term Loan B Facility, we retired $2.2 million and $34.5 million of outstanding debt during the three and nine months ended September 30, 2009, respectively.

The filing of the Chapter 11 Cases constitutes an event of default under the New Notes. Failure to make the October 1, 2009 interest payment on the Old Notes within thirty days of the due date constitutes an event of default on the Old Notes. See note 2 to our condensed consolidated financial statements.

Other Pre-petition Agreements

As a condition to the approval of the Merger and related transactions by state regulatory authorities, we have agreed to make capital expenditures following the completion of the Merger. As a condition to the approval of the transactions by the state regulatory authority in Maine, we agreed that, following the closing of the Merger, we will make capital expenditures in Maine during the first three years after the closing of $48 million in the first year and an average of $48 million in the first two years and an average of $47 million in the first three years. We are also required to expend over a five year period not less than $40 million on equipment and infrastructure to expand the availability of broadband services in Maine, which is expected to result in capital expenditures in Maine in excess of the minimum capital expenditure requirements described above.

The order issued by the state regulatory authority in Vermont also requires us to make capital expenditures in Vermont during the first three years after the closing of the Merger in the amount of $41 million for the first year and averaging $40 million per year in the first two years and averaging $40 million per year in the first three years following the closing. Pursuant to the Vermont order, we are required to remove double poles in Vermont, make service quality improvements and address certain broadband build-out commitments under a performance enhancement plan in Vermont, using, in the case of double pole removal, $6.7 million provided by the Verizon Group and, in the case of service quality improvements under the performance enhancement plan, $25 million provided by the Verizon Group. In Vermont we have also agreed to certain broadband build-out milestones that require us to reach 100% broadband availability in 50% of our exchanges in Vermont, which could result in capital expenditures of $44 million over such period in addition to the minimum capital expenditures required by the Vermont order as set forth above.

We are also required to make capital expenditures in New Hampshire of at least $52 million during each of the first three years after the closing of the Merger and $49 million during each of the fourth and fifth years after the closing of the Merger. The amount of any shortfall in any year must be expended in the following year, and the amount of any excess in any year may be deducted from the amount required to be expended in the following year. If any shortfall in any year exceeds $3 million, then the amount that we are required to spend in the following year shall be increased by 150% of the amount of such shortfall. If there is any shortfall at the end of the fifth year after the closing of the Merger, we will be required to spend 150% of the amount of such shortfall at the direction of the NHPUC. The NHPUC may require that a portion of these increased capital expenditures be directed toward state programs rather than invested in our assets. We are required to spend at least $56.4 million over the 60-month period following the closing of the Merger on broadband infrastructure in New Hampshire, which is expected to result in capital expenditures in New Hampshire in excess of the minimum capital expenditure requirements described above.

We also have the availability of $49.2 million contributed to us by the Verizon Group, and $1.1 million in interest earned thereon, to make capital and operating expenditures in New Hampshire in addition to those described above for unexpected infrastructure improvements proposed by us and approved by the NHPUC. These funds were reflected on the Company's March 31, 2009 balance sheet as restricted cash to be used only in accordance with a settlement agreement dated as of January 23, 2008, with certain affiliates of Verizon and the staff of the NHPUC. During the three months ended June 30, 2009, we requested that these funds be made available for general working capital purposes. By letter, dated as of May 12, 2009, the NHPUC approved our request, conditioned upon our commitment to invest funds on certain NHPUC approved network improvements in New Hampshire on the following schedule: $15 million by the end of 2010, an additional $20 million by the end of 2011 and an additional $30 million by the end of 2012. This investment commitment is inclusive of the $50 million previously required by the NHPUC.

Additionally, the orders issued by the PUCs in Maine, New Hampshire and Vermont in connection with their approval of the Merger include a requirement that we pay the greater of $45 million or 90% of our free cash flow (defined as the cash flow remaining after all operating expenses, interest payments, tax payments, capital expenditures, dividends and other routine cash expenditures have occurred) annually to reduce the principal amount of our indebtedness, until certain financial ratio tests have been satisfied.

At this time, it is unclear what effect the filing of the Chapter 11 Cases will have on the requirements, including service quality penalties, imposed by the PUCs in Maine, New Hampshire and Vermont as a condition to the approval of the Merger and whether such requirements will be enforceable against us in the future.

On January 30, 2009, we entered into the Transition Agreement with Verizon in connection with the cutover of certain back office systems, as contemplated by the Transition Services Agreement. The Transition Services Agreement and related agreements had required us to make payments totaling approximately $45.4 million to Verizon in the first quarter of 2009, including a one-time fee of $34.0 million due at Cutover, with the balance related to the purchase of certain internet access hardware. The settlement set forth in the Transition Agreement resulted in a $22.7 million improvement in our cash flow for the nine months ended September 30, 2009.

Summary of Contractual Obligations

The tables set forth below contain information with regard to disclosures about contractual obligations and commercial commitments.

The following table discloses aggregate information about our contractual obligations as of September 30, 2009 and the periods in which payments are due:

	Payments Due by Period				
	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
			(in thousands)		
Long term debt, including current maturities(a)(b)	$2,515,446	$ 45,000	$117,450	$395,625	$1,957,371
Interest payments on long term debt obligations(c)	978,295	210,265	365,805	327,097	75,128
Capital lease obligations	10,763	3,059	4,076	3,139	489
Operating leases	46,972	10,978	16,890	11,152	7,952
Total projected contractual obligations	$3,551,476	$269,302	$504,221	$737,013	$2,040,940

(a) Includes $550.0 million of the Notes. All obligations under the Credit Facility, the Notes and the Swaps have been classified as current liabilities in the condensed consolidated financial statements. See note 9 to the condensed consolidated financial statements for more information.

(b) As a result of the events of default described in note 2 to the condensed consolidated financial statements, we have classified our obligations under the Credit Facility and the Notes as current liabilities as of September 30, 2009.

(c) Excludes amortization of estimated capitalized debt issuance costs.

The following table discloses aggregate information about our derivative financial instruments as of September 30, 2009, including the source of fair value of these instruments and their maturities.

	Fair Value of Contracts at Period End				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(Dollars in thousands)				
Source of fair value:					
Derivative financial instruments(1)(2)	$(74,360)	(50,914)	(22,967)	(479)	—

(1) Fair value of interest rate swaps at September 30, 2009 is based on information provided by the counterparties in order to compute the value of the underlying contracts using consistent methodologies. These market values were then discounted for the Company's risk of non-performance, which is represented by the market spread on our debt as of September 30, 2009. See note 8 to the condensed consolidated financial statements for more information.

(2) As a result of the events of default described in note 2 to the condensed consolidated financial statements, we have classified our obligations under the Swaps as current liabilities as of September 30, 2009.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As of September 30, 2009, we had total debt of $2,505.5 million, net of discount of $9.9 million, consisting of both fixed rate and variable rate debt with interest rates ranging from 2.813% to 13.125% per annum, including applicable margins. As of September 30, 2009, the fair value of our debt was approximately $1,614.4 million, net of discount of $9.9 million. Our Term Loan A Facility and Revolver mature in 2014, our Term Loan B Facility and Delayed Draw Term Loan mature in 2015 and the Notes mature in 2018.

We use variable and fixed-rate debt to finance our operations, capital expenditures and acquisitions. The variable rate debt obligations expose us to variability in interest payments due to changes in interest rates. We believe it is prudent to limit the variability of a portion of our interest payments. To meet this objective, from time to time, we enter into interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. The Swaps effectively change the variable rate on the debt obligations to a fixed rate. Under the terms of the Swaps, we were required to make a payment if the variable rate was below the fixed rate, or we received a payment if the variable rate was above the fixed rate. Pursuant to our Credit Facility, we are required to reduce the risk of interest rate volatility with respect to at least 50% of our Term Loan borrowings.

The chart below provides details of the Swaps.

Effective Date:	Notional Amount	Rate	Rate, including applicable margin	Expiration Date
February 8, 2005	$130.0 Million	4.11%	6.86%	December 31, 2009
April 29, 2005	$50.0 Million	4.72%	7.47%	March 31, 2012
June 30, 2005	$50.0 Million	4.69%	7.44%	March 31, 2011
June 30, 2006	$50.0 Million	5.36%	8.11%	December 31, 2009
December 31, 2007	$65.0 Million	4.91%	7.66%	December 30, 2011
December 31, 2007	$75.0 Million	5.46%	8.21%	December 31, 2010
December 31, 2008	$100.0 Million	5.02%	7.77%	December 31, 2010
December 31, 2009	$150.0 Million	5.65%	8.40%	December 31, 2011
June 30, 2008	$100.0 Million	4.99%	7.74%	December 30, 2010
June 30, 2008	$100.0 Million	4.95%	7.70%	June 30, 2010
June 30, 2008	$100.0 Million	5.45%	8.20%	December 31, 2010
June 30, 2008	$100.0 Million	5.30%	8.05%	December 30, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
June 30, 2008	$100.0 Million	4.50%	7.25%	December 31, 2010
December 31, 2010	$300.0 Million	4.49%	7.24%	December 31, 2012
June 30, 2008	$250.0 Million	3.25%	6.00%	December 31, 2010

At September 30, 2009, the fair market value of the Swaps is a net liability of approximately $74.4 million, all of which has been included in current liabilities due to the event of default described in note 9 to the condensed consolidated financial statements.

We do not hold or issue derivative financial instruments for trading or speculative purposes.

We are also exposed to market risk from changes in the fair value of our pension plan assets. For the nine months ended September 30, 2009, the actual gain on the pension plan assets has been approximately 13.6%. Net periodic benefit cost for 2009 assumes a weighted average annualized expected return on plan assets of approximately 8.3%. Should our actual return on plan assets become significantly lower than our expected return assumption, our net periodic benefit cost will increase in future periods and we may be required to contribute additional funds to our pension plans after 2009.

The occurrence of an event of default under the Credit Facility constituted an event of default under the Swaps. In addition, we failed to make payments due under the Swaps on September 30, 2009, which failure resulted in an event of default under the Swaps upon the expiration of a three business day grace period. As a result of these events of default under the Swaps and the default resulting from the filing of the Chapter 11 Cases under the Swaps, both of the counterparties to the Swaps exercised their rights to declare an early termination of the Swaps and all outstanding amounts under the Swaps became immediately due and payable. We have been notified that as of October 26, 2009, the settlement amount, including amounts previously owing by us under the Swaps, totaled approximately $98.8 million, as such amount has been determined by the counterparties under the Swaps.

Item 4. Controls and Procedures (Restated).

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

At the time of the Original Filing, our principal executive officer and principal financial officer concluded that our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) were effective as of September 30, 2009. Subsequent to that evaluation, as a result of the restatement described in the "Explanatory Note" and note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 1, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were not effective as of September 30, 2009 because of the material weaknesses described below.

Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in the reporting company's annual or interim financial statements will not be prevented or detected on a timely basis. In connection with our fiscal 2009 year-end reconciliation and closing procedures, we determined that the restatement described in the "Explanatory Note" and note 1 to the "Condensed Consolidated Financial Statements" contained in this Amendment No. 1 was necessary. As a result of identifying this matter, we re-evaluated our internal controls over financial reporting and have concluded that the following material weaknesses existed during 2009:

1. Our information technology controls were not adequate. Adequate testing was not performed to ensure that certain revenue transactions were properly accounted for and transferred from our billing system to our general ledger. Also, access to our information systems was not appropriately restricted.

2. Our management oversight and review procedures designed to monitor the accuracy of period-end accounting activities were ineffective. Specifically, our account reconciliation processes were not adequate to properly identify and resolve discrepancies between our billing system and our general ledger in a timely manner. In addition, control weaknesses existed relating to revenue, operating expenses, accounts receivable, fixed assets and income taxes.

Management's Remediation of the Material Weaknesses

Effective in February 2010, our management believes that it has corrected the primary issues that led to the restatement. Specifically, we have:

1. Corrected the billing system settings so that they properly transfer the identified transactions to the general ledger; and

2. Enhanced our account reconciliation and review procedures to detect this type of error on a timely basis in the future.

We believe these measures and other planned process improvements will adequately remediate the material weaknesses described above and will strengthen our internal controls over financial reporting. We are committed to continuing to improve our internal control processes and will continue to review our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may identify additional measures to address these material weaknesses or determine to modify certain of the remediation procedures described above. Our management, with the oversight of the audit committee of our board of directors, will continue to assess and take steps to enhance the overall design and capability of our control environment in the future.

Changes in Internal Control Over Financial Reporting

In connection with the Merger, we have significantly expanded our internal control over financial reporting in order to encompass the new internal control structure associated with our Northern New England operations. Accordingly, we have developed a significant number of new processes, systems and related controls governing various aspects of our financial reporting process, particularly relating to our Northern New England operations and the consolidation of our Northern New England operations with Legacy FairPoint's operations. The processes we have developed include, but are not limited to, information technology, order provisioning, customer billing, payment processing, credit and collections, inventory management, accounts payable, payroll, human resource administration, tax, general ledger accounting and external reporting.

With the exception of the foregoing, there have been no changes in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting. We do note however that subsequent to the quarter ended September 30, 2009, we implemented the remediation described above to address the material weaknesses in our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in litigation and regulatory proceedings arising out of our operations. With the exception of the Chapter 11 Cases, management believes that we are not currently a party to any legal or regulatory proceedings, the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on our financial position or results of operations. To the extent we are currently involved in any litigation and/or regulatory proceedings, such proceedings have been stayed as a result of the filing of the Chapter 11 Cases. For a discussion of the Chapter 11 Cases, see note 2 to our condensed consolidated financial statements.

We are subject to certain service quality requirements in the states of Maine, New Hampshire and Vermont. Failure to meet these requirements in any of these states may result in penalties being assessed by the appropriate state regulatory body. As of September 30, 2009, we have recognized an estimated liability of $22.4 million for service quality penalties based on metrics defined by PUCs in Maine, New Hampshire and Vermont. However, at this time, it is unclear what effect the filing of the Chapter 11 Cases will have on the requirements, including service quality penalties, imposed by the PUCs in Maine, New Hampshire and Vermont as a condition to the to the approval of the Merger and whether such requirements will be enforceable against us in the future.

Item 1A. Risk Factors (Restated).

(a) The following risk factors are added to the risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by "Part II—Item 1A. Risk Factors" of our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2009 and June 30, 2009, under a new heading "Risks Related to the Chapter 11 Cases."

For the duration of the Chapter 11 Cases, our operations, including our ability to execute our business plan, will be subject to the risks and uncertainties associated with bankruptcy, which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Risks and uncertainties associated with the Chapter 11 Cases include the following:

- our ability to prosecute, confirm and consummate a Chapter 11 plan of reorganization;
- our ability to obtain union concessions;
- the actions and decisions of our creditors and other third parties who have interests in the Chapter 11 Cases that may be inconsistent with our plans;
- our ability to obtain court approval with respect to certain motions in the Chapter 11 Cases;
- our ability to comply with the covenants under the DIP Credit Agreement;
- our ability to obtain and maintain financing necessary to carry out our operations;
- our ability to maintain contracts and leases that are critical to our operations; and
- our ability to utilize NOL carryforwards.

These risks and uncertainties could affect our business and operations in various ways. For example, negative events or publicity associated with the Chapter 11 Cases could adversely affect our revenues and the relationship with our customers which in turn could have a material adverse effect on our business, financial condition, results of operations and liquidity, particularly if the Chapter 11 Cases are unexpectedly protracted. In addition, for the duration of the Chapter 11 Cases, transactions outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond timely to certain events or take advantage of certain business opportunities.

Furthermore, as a result of the Chapter 11 Cases, realization of assets and liquidation of liabilities are subject to uncertainty. While operating as a debtor-in-possession under the protection of the Bankruptcy Code, we may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in our financial statements, subject to Bankruptcy Court approval or otherwise as permitted in the normal course of business. Further, a Chapter 11 plan of reorganization could materially change the amounts and classifications reported in our consolidated historical financial statements, which do not give effect to any adjustments to the carrying value of assets or amounts of liabilities that might be necessary as a consequence of confirmation of a Chapter 11 plan of reorganization and the discharge of such liabilities.

Because of the risks and uncertainties associated with the Chapter 11 Cases, the ultimate impact of events that occur during these proceedings on our business, financial condition, results of operations and liquidity cannot be accurately predicted or quantified. Additionally, the result of any confirmed Chapter 11 plan of reorganization may result in cancellation of our common stock and/or the failure of the Company to continue as a public reporting company, which could cause any investment in the Company to become worthless.

In light of the foregoing, trading in our securities during the Chapter 11 Cases is highly speculative and poses substantial risks. Holders of our securities may have their securities cancelled and in return receive no payment or other consideration, or a payment or other consideration that is less than the par value or the purchase price of such securities.

Operating under Bankruptcy Court protection for a long period of time may harm our business.

A long period of operations under Bankruptcy Court protection could have a material adverse effect on our business, financial condition, results of operations and liquidity. So long as the Chapter 11 Cases continue, our senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on our business operations. A prolonged period of operating under Bankruptcy Court protection may also make it more difficult to retain management and other key personnel necessary to the success and growth of our business. In addition, the longer the Chapter 11 Cases continue, the more likely it is that our customers and suppliers will lose confidence in our ability to successfully reorganize our businesses and seek to establish alternative commercial relationships.

Furthermore, so long as the Chapter 11 Cases continue, we will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases. A prolonged continuation of the Chapter 11 Cases may also require us to seek additional financing. If we require additional financing during the Chapter 11 Cases and we are unable to obtain the financing on favorable terms or at all, our chances of successfully reorganizing our business may be seriously jeopardized, and, as a result, any securities in the Company could become further devalued or become worthless.

We may not be able to obtain confirmation of a Chapter 11 plan of reorganization.

To successfully emerge from Bankruptcy Court protection as a viable entity, we must meet certain statutory requirements with respect to adequacy of disclosure with respect to a Chapter 11 plan of reorganization, solicit and obtain the requisite acceptances of such a plan and fulfill other statutory conditions for confirmation of such a plan, which have not occurred to date. We may not receive the requisite acceptances of constituencies in the Chapter 11 Cases to confirm our Restructuring Plan. Even if the requisite acceptances of our Restructuring Plan are received, the Bankruptcy Court may not confirm such a plan. Furthermore, our Restructuring Plan contemplates numerous operating assumptions, including, without limitation, certain concessions on behalf of our employees represented by labor unions and state public utility commissions, which may not be attained.

In connection with the Support Agreement, we have committed to the achievement of certain milestones, including the following: (i) the filing of a Chapter 11 plan of reorganization reflecting the Restructuring Plan with the Bankruptcy Court on or before 5:00 P.M. Eastern Time on December 10, 2009 and (ii) an order by the Bankruptcy Court confirming a Chapter 11 plan of reorganization reflecting the Restructuring Plan on or before 5:00 P.M. Eastern Time on May 9, 2010. Our failure to achieve these milestones by the dates required under the Support Agreement would (unless duly waived) constitute a termination event under the Support Agreement, pursuant to which the Consenting Lenders agreed to support such a plan, that could allow the Consenting Lenders to terminate their obligations to support a Chapter 11 plan of reorganization reflecting the Restructuring Plan.

If a Chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether we would be able to reorganize our business and what, if anything, holders of claims against us would ultimately receive with respect to their claims.

A Chapter 11 plan of reorganization may result in holders of our common stock receiving no distribution on account of their interests and cancellation of their common stock.

Under the priority scheme established by the Bankruptcy Code, unless creditors agree otherwise, post-petition liabilities and pre-petition liabilities must be satisfied in full before stockholders are entitled to receive any distribution or retain any property under a Chapter 11 plan of reorganization. The ultimate recovery to creditors and/or stockholders, if any, will not be determined until confirmation of such a plan. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 Cases to each of these constituencies or what types or amounts of distributions, if any, they would receive. A Chapter 11 plan of reorganization could result in holders of our common stock receiving no distribution on account of their interests and may even result in the cancellation of their existing stock. If certain requirements of the Bankruptcy Code are met, a Chapter 11 plan of reorganization can be confirmed notwithstanding its rejection by the class comprising the interests of our equity security holders. The Restructuring Plan contemplates, among other things, the exchange of new common stock of the Company for certain claims against us and the cancellation of existing common stock. Therefore, an investment in our common stock is highly speculative and may become worthless (or be cancelled) in the future without any required approval or consent of our stockholders.

Even if a Chapter 11 plan of reorganization is consummated, we will continue to face risks.

Even if a Chapter 11 plan of reorganization is consummated, we will continue to face a number of risks, including certain risks that are beyond our control, such as further deterioration or other changes in economic conditions, changes in our industry, changes in consumer demand for, and acceptance of, our services and increasing expenses. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guaranty that a Chapter 11 plan of reorganization reflecting the Restructuring Plan will achieve our stated goals.

Furthermore, even if our debts are reduced or discharged through a Chapter 11 plan of reorganization, we may need to raise additional funds through public or private debt or equity financing or other various means to fund our business after the completion of the Chapter 11 Cases. Irrespective of the New Term Loan and a new revolving credit facility, adequate funds may not be available when needed or may not be available on favorable terms.

The DIP Credit Agreement contains restrictions that could significantly restrict our ability to operate our business.

The DIP Credit Agreement contains a number of covenants which, among other things, limit the incurrence of additional debt, capital expenditures, capitalized leases, issuance of capital stock, issuance of guarantees, liens, investments, disposition of assets, dividends, certain payments, mergers, change of business, transactions with affiliates, prepayments of debt, repurchases of stock and redemptions of certain other indebtedness and other matters customarily restricted in such agreements. Our ability to comply with the covenants, agreements and restrictions contained in the DIP Credit Agreement may be affected by events beyond our control, including prevailing economic, financial and industry conditions. There can be no assurance that we will be able to comply with such covenants, agreements or restrictions in the future. Additionally, breach of any of the covenants imposed on us by the terms of the DIP Credit Agreement could result in a default under the DIP Credit Agreement. In the event of a default, the lenders could terminate their commitments to us and could accelerate the repayment of all of our indebtedness under the DIP Credit Agreement, if any. In such case, we may not have sufficient funds to pay the total amount of accelerated obligations, if any, and our lenders under the DIP Credit Agreement could proceed against the collateral securing the DIP Credit Agreement. Any acceleration in the repayment of our outstanding indebtedness, if any, or related foreclosure could adversely affect our business.

Historical financial information may not be comparable.

If a Chapter 11 plan of reorganization reflecting the Restructuring Plan is consummated, our financial condition and results of operations from and after the effective date of such a Chapter 11 plan of reorganization may not be comparable to the financial condition or results of operations reflected in our historical financial statements.

(b) The following risk factor is added to the risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by "Part II—Item 1A. Risk Factors" of our Quarterly Reports on Form 10-Q for the quarterly periods ending March 31, 2009 and June 30, 2009, under the heading "Risks Related to Our Substantial Indebtedness and Common Stock."

Our stock is no longer listed on a national securities exchange. It will likely be more difficult for stockholders and investors to sell our common stock or to obtain accurate quotations of the share price of our common stock.

Effective October 26, 2009, the NYSE suspended trading in our common stock. Our common stock is now traded on the Pink Sheets under the symbol "FRCMQ." We can provide no assurance that we will be able to re-list our common stock on a national securities exchange or that our common stock will continue to be traded on the Pink Sheets. The trading of our common stock on the Pink Sheets may negatively impact the trading price of our common stock and the levels of liquidity available to our stockholders.

(c) The following risk factor is added to the risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by "Part II—Item 1A. Risk Factors" of our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2009 and June 30, 2009, as the final risk factor under the heading "Risks Relating to Our Business."

We have identified material weaknesses in our internal controls over financial reporting which existed as of September 30, 2009. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

As discussed in "Part I—Item 4.Controls and Procedures," in connection with the restatement, we concluded that the following material weaknesses in our internal controls over financial reporting existed as of September 30, 2009:

- Our information technology controls were not adequate to ensure that all revenue transactions were properly accounted for and transferred from our billing system to our general ledger; and
- Our account reconciliation processes did not properly identify and resolve the resulting discrepancies between our billing system and our general ledger.

As a result of these material weaknesses, our management concluded that our disclosure controls were not effective as of September 30, 2009. Effective in February 2010, our management has taken steps to remediate the issues that led to the restatement. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.

(d) The risk factor presented below amends and restates the corresponding risk factor previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by "Part II—Item 1A. Risk Factors" of our Quarterly Reports on Form 10-Q for the quarterly periods ending March 31, 2009 and June 30, 2009.

We will be exposed to risks relating to evaluations of internal control systems required by Section 404 of the Sarbanes-Oxley Act.

As a public reporting company, we are required to comply with the Sarbanes-Oxley Act and the related rules and regulations of the SEC, including accelerated reporting requirements and expanded disclosures regarding evaluations of internal control systems. We are also required to furnish a report by our management each year on our internal control over financial reporting. With respect to internal control over financial reporting, standards established by the Public Company Accounting Oversight Board define a material weakness as a deficiency in internal controls over financial reporting that results in a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. If our management identifies one or more material weaknesses in internal control over financial reporting in the future in accordance with the annual assessments and quarterly evaluations required by the Sarbanes-Oxley Act, we will be unable to assert that our internal controls are effective which could result in sanctions or investigation by regulatory authorities. In addition, any such material weakness could result in material misstatements in our financial statements and cause investors to lose confidence in our reported financial information.

We note that we have identified material weaknesses in our internal controls over financial reporting which existed as of September 30, 2009, which material weaknesses are discussed in greater detail in "Part I—Item 4.Controls and Procedures" and "—*We have identified material weaknesses in our internal controls over financial reporting which existed as of September 30, 2009. If the steps we have taken to remedy these material weaknesses are not successful or we otherwise fail to maintain an effective system of internal controls, such a failure could result in additional material misstatements in our financial statements, prevent us from providing timely financial statements or meeting our reporting requirements both with the SEC and under our debt obligations, cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our common stock.*"

(e) The risk factor entitled "*If we are unable to consummate a successful restructuring of our notes, we will consider all other restructuring alternatives available to us, which may include a Chapter 11 proceeding. A Chapter 11 proceeding may result in a protracted process which could disrupt our business, divert the attention of our management from the operation of our business and the implementation of our business plan and may ultimately be unsuccessful*" is deleted from the risk factors previously disclosed in "Part I—Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by "Part II—Item 1A. Risk Factors" of our Quarterly Reports on Form 10-Q for the quarterly periods ending March 31, 2009 and June 30, 2009.

There have been no other material changes to the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by our Quarterly Reports on Form 10-Q for the quarterly periods ending March 31, 2009 and June 30, 2009.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On July 1, 2009, we awarded David L. Hauser, our chairman and chief executive officer, options to purchase 1,600,000 shares of our common stock and 523,810 restricted shares of our common stock, pursuant to an employment agreement we entered into with Mr. Hauser on June 11, 2009. The

Inducement Options were granted at an exercise price of $0.95 and will vest in three annual installments, beginning on July 1, 2010. The shares of Inducement Restricted Stock will vest on July 1, 2012. The vesting of the Inducement Options and the Inducement Restricted Stock is contingent upon Mr. Hauser's continued employment with us.

We did not receive any proceeds in connection with the issuance of the Inducement Options and the Inducement Restricted Stock to Mr. Hauser. The Inducement Options and the Inducement Restricted Stock were issued pursuant to an exemption from registration provided under Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities.

As a result of the restatement described in note 1, we were not in compliance with the interest coverage ratio maintenance covenant and the leverage ratio maintenance covenant under the Credit Facility for the measurement period ended June 30, 2009, which constitutes an event of default under each of the Credit Facility and the Swaps, and may constitute an event of default under the Notes, in each case at June 30, 2009. The historical disclosure contained below does not take the restatement into account.

We failed to make principal and interest payments totaling approximately $27.7 million due under the Credit Facility on September 30, 2009. The failure to make the principal payment constituted an event of default under the Credit Facility and the failure to make the interest payment constituted an event of default under the Credit Facility after the expiration of a five business day grace period.

We failed to make payments totaling approximately $14.0 million in the aggregate due under the Swaps on September 30, 2009, which failure resulted in an event of default under the Swaps upon the expiration of a three business day grace period.

We failed to make interest payments totaling approximately $17.6 million due on the Notes on October 1, 2009. The failure to make the interest payment on the Notes constituted an event of default under the Notes upon the expiration of a thirty day grace period.

As of November 20, 2009, approximately $27.7 million of unpaid principal and interest payments was outstanding under the Credit Facility, approximately $14.0 million of unpaid payments was outstanding under the Swaps and approximately $17.6 million of unpaid interest payments was outstanding under the Notes, in each case including accrued interest on the defaulted payments.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The exhibits filed as part of this Quarterly Report are listed in the index to exhibits immediately preceding such exhibits, which index to exhibits is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned, thereunto duly authorized, and the undersigned also has signed this Quarterly Report in her capacity as the Registrant's Principal Financial Officer.

FAIRPOINT COMMUNICATIONS, INC.

Date: April 30, 2010

By: /s/ LISA R. HOOD

Name: Lisa R. Hood
Title: *Senior Vice President and Corporate Controller, Interim Chief Financial Officer*

Exhibit Index

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of January 15, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.2	Amendment No. 1 to the Agreement and Plan of Merger, dated as of April 20, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.3	Amendment No. 2 to the Agreement and Plan of Merger, dated as of June 28, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(2)
2.4	Amendment No. 3 to the Agreement and Plan of Merger, dated as of July 3, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(3)
2.5	Amendment No. 4 to the Agreement and Plan of Merger, dated as of November 16, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(4)
2.6	Amendment No. 5 to the Agreement and Plan of Merger, dated as of February 25, 2008, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(5)
2.7	Distribution Agreement, dated as of January 15, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.8	Amendment No. 1 to Distribution Agreement, dated as of March 30, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.9	Amendment No. 2 to Distribution Agreement, dated as of June 28, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.10	Amendment No. 3 to Distribution Agreement, dated as of July 3, 2007, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(1)
2.11	Amendment No. 4 to Distribution Agreement, dated as of February 25, 2008, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(5)
2.12	Amendment No. 5 to the Distribution Agreement, dated as of March 31, 2008, by and between Verizon Communications Inc. and Northern New England Spinco Inc.(6)
2.13	Transition Services Agreement, dated as of January 15, 2007, by and among Verizon Information Technologies LLC, Northern New England Telephone Operations Inc., Enhanced Communications of Northern New England Inc. and FairPoint.(1)
2.14	Amendment No. 1 to the Transition Services Agreement, dated as of March 31, 2008, by and among FairPoint, Northern New England Telephone Operations LLC, Enhanced Communications of Northern New England Inc. and Verizon Information Technologies LLC(6)
2.15	Master Services Agreement, dated as of January 15, 2007, by and between FairPoint and Capgemini U.S. LLC.(1)
2.16	Amendment No. 1 to Master Services Agreement, dated as of July 6, 2007, by and between FairPoint and Capgemini U.S. LLC.(3)

Exhibit No.	Description
2.17	Amendment No. 2 to Master Services Agreement, dated as of February 25, 2008, by and between FairPoint and Capgemini U.S. LLC.(5)
2.18	Letter Agreement, dated as of January 17, 2008, by and between FairPoint and Capgemini U.S. LLC.(7)
2.19	Amendment to Letter Agreement, dated as of February 28, 2008, by and between FairPoint and Capgemini U.S. LLC.(8)
2.20	Employee Matters Agreement, dated as of January 15, 2007, by and among Verizon Communications Inc., Northern New England Spinco Inc. and FairPoint.(1)
2.21	Tax Sharing Agreement, dated as of January 15, 2007, by and among FairPoint, Verizon Communications Inc. and Northern New England Spinco Inc.(9)
2.22	Partnership Interest Purchase Agreement, dated as of January 15, 2007, by and among Verizon Wireless of the East LP, Cellco Partnership d/b/a Verizon Wireless and Taconic Telephone Corp.(10)
2.23	Joinder Agreement, dated as of April 5, 2007, by and among Warwick Valley Telephone Company, Taconic Telephone Corp., Cellco Partnership d/b/a Verizon Wireless and Verizon Wireless of the East LP.(10)
2.24	Publishing Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.25	Branding Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.26	Non-Competition Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.27	Listing License Agreement, dated as of March 31, 2008, by and between FairPoint and Idearc Media Corp.(6)
2.28	Intellectual Property Agreement, dated as of March 31, 2008, by and between FairPoint and Verizon Communications Inc.(6)
2.29	Transition Period Trademark License Agreement, dated as of March 31, 2008, by and between FairPoint and Verizon Communications Inc.(6)
2.30	Transition Agreement, dated as of January 30, 2009, by and among Verizon Communications Inc., Verizon New England Inc., Verizon Information Technologies LLC, FairPoint, Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Enhanced Communications of Northern New England Inc.(11)
3.1	Eighth Amended and Restated Certificate of Incorporation of FairPoint.(12)
3.2	Amended and Restated By Laws of FairPoint.(12)
4.1	Indenture, dated as of March 6, 2003, by and between FairPoint and The Bank of New York, relating to FairPoint's $225,000,000 11⅞% Senior Notes due 2010.(13)
4.2	Supplemental Indenture, dated as of January 20, 2005, by and between FairPoint and The Bank of New York, amending the Indenture dated as of March 6, 2003 between FairPoint and The Bank of New York.(12)
4.3	Form of Initial Senior Note due 2010.(13)

Exhibit No.	Description
4.4	Form of Exchange Senior Note due 2010.(13)
4.5	Indenture, dated as of March 31, 2008, by and between Northern New England Spinco Inc. and U.S. Bank National Association.(6)
4.6	First Supplemental Indenture, dated as of March 31, 2008, by and between FairPoint Communications, Inc. and U.S. Bank National Association.(6)
4.7	Second Supplemental Indenture, dated as of July 29, 2009, by and between FairPoint Communications, Inc. and U.S. Bank National Association.(14)
4.8	Registration Rights Agreement, dated as of March 31, 2008, by and among FairPoint Communications, Inc., Banc of America Securities LLC, Lehman Brothers Inc. and Morgan Stanley & Co. Incorporated.(6)
4.9	Form of 13⅛% Senior Note due 2018 (included in Exhibit 4.6).(6)
4.10	Indenture, dated as of July 29, 2009, by and between FairPoint Communications, Inc. and U.S. Bank National Association.(14)
4.11	Form of 13⅛% Senior Note due 2018 (included in Exhibit 4.10).(14)
10.1	Credit Agreement, dated as of March 31, 2008, by and among FairPoint, Northern New England Spinco Inc., Bank of America, N.A, as syndication agent, Morgan Stanley Senior Funding, Inc. and Deutsche Bank Securities Inc., as co-documentation agents, and Lehman Commercial Paper Inc., as administrative agent, and lenders party thereto.(6)
10.2	Amendment, Waiver, Resignation and Appointment Agreement, dated as of January 21, 2009, by and among FairPoint, lenders party thereto, Lehman Commercial Paper Inc. and Bank of America, N.A.(15)
10.3	Subsidiary Guaranty, dated as of March 31, 2008, by and among FairPoint Broadband, Inc., MJD Ventures, Inc., MJD Services Corp., S T Enterprises, Ltd., FairPoint Carrier Services, Inc., FairPoint Logistics, Inc. and Lehman Commercial Paper Inc.(6)
10.4	Pledge Agreement, dated as of March 31, 2008, by and among FairPoint, MJD Ventures, Inc., MJD Services Corp., S T Enterprises, Ltd., FairPoint Carrier Services, Inc., FairPoint Broadband, Inc., FairPoint Logistics, Inc., Enhanced Communications of Northern New England, Inc., Utilities, Inc., C-R Communications, Inc., Comerco, Inc., GTC Communications, Inc., St. Joe Communications, Inc., Ravenswood Communications, Inc., Unite Communications Systems, Inc. and Lehman Commercial Paper Inc.(6)
10.5	Deposit Agreement, dated as of March 31, 2008, by and among Northern New England Telephone Operations LLC, Telephone Operating Company of Vermont LLC and Lehman Commercial Paper Inc.(6)
10.6	Debtor-in-Possession Credit Agreement, dated as of October 27, 2009, by and among FairPoint Communications, Inc., FairPoint Logistics, Inc., Bank of America, N.A., as administrative agent, and lenders party thereto.(16)
10.7	Debtor-in-Possession Subsidiary Guaranty, dated as of October 30, 2009, by and among certain subsidiaries of FairPoint Communications, Inc. and Bank of America, N.A.(16)
10.8	Debtor-in-Possession Pledge Agreement, dated as of October 30, 2009, by and among FairPoint Communications, Inc., FairPoint Logistics, Inc., certain subsidiaries of FairPoint Communications, Inc. and Bank of America, N.A.(16)

Exhibit No.	Description
10.9	Debtor-in-Possession Security Agreement, dated as of October 30, 2009, by and among FairPoint Communications, Inc., FairPoint Logistics, Inc., certain subsidiaries of FairPoint Communications, Inc. and Bank of America, Inc.(16)
10.10	Amended and Restated Tax Sharing Agreement, dated as of November 9, 2000, by and among FairPoint and its Subsidiaries.(17)
10.11	Employment Agreement, dated as of June 11, 2009, by and between FairPoint and David L. Hauser.(18)
10.12	Registration Rights Letter Agreement, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.13	Change in Control and Severance Agreement, dated as of March 14, 2007, by and between FairPoint and Peter G. Nixon.(19)
10.14	Change in Control and Severance Agreement, dated as of March 14, 2007, by and between FairPoint and Shirley J. Linn.(19)
10.15	Change in Control and Severance Agreement, dated as of September 3, 2008, by and between FairPoint and Alfred C. Giammarino.(20)
10.16	FairPoint Amended and Restated 1998 Stock Incentive Plan.(21)
10.17	FairPoint Amended and Restated 2000 Employee Stock Incentive Plan.(22)
10.18	FairPoint 2005 Stock Incentive Plan.(11)
10.19	FairPoint Communications, Inc. 2008 Annual Incentive Plan.(23)
10.20	FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(23)
10.21	Nonqualified Deferred Compensation Adoption Agreement.(11)
10.22	Nonqualified Deferred Compensation Plan Document.(11)
10.23	Form of February 2005 Restricted Stock Agreement.(24)
10.24	Form of Director Restricted Stock Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(25)
10.25	Form of Director Restricted Unit Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(25)
10.26	Form of Non-Director Restricted Stock Agreement—FairPoint Communications, Inc. 2005 Stock Incentive Plan.(26)
10.27	Form of Non-Director Restricted Stock Agreement—FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(20)
10.28	Form of Performance Unit Award Agreement 2008-2009 Award (Performance Unit Award, dated as of April 1, 2008, by and between FairPoint and Eugene B. Johnson).(27)
10.29	Form of Performance Unit Award Agreement 2008-2010 Award.(23)
10.30	Form of Performance Unit Award Agreement 2009-2011 Award.(28)
10.31	Form of Director Restricted Unit Agreement—FairPoint Communications, Inc. 2008 Long Term Incentive Plan.(17)

Exhibit No.	Description
10.32	FairPoint Communications, Inc. Restricted Stock Award Agreement, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.33	FairPoint Communications, Inc. Non-Qualified Stock Option Award Agreement, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.34	FairPoint Communications, Inc. Performance Unit Award Agreement for Performance Period Beginning July 1, 2009 and Ending December 31, 2010, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.35	FairPoint Communications, Inc. Performance Unit Award Agreement for Performance Period Beginning July 1, 2009 and Ending December 31, 2011, dated as of July 1, 2009, by and between FairPoint and David L. Hauser.(18)
10.36	Stipulation filed with the Maine Public Utilities Commission, dated December 12, 2007.(29)
10.37	Amended Stipulation filed with the Maine Public Utilities Commission dated December 21, 2007(6)
10.38	Stipulation filed with the Vermont Public Service Board, dated January 8, 2008.(30)
10.39	Stipulation filed with the New Hampshire Public Utilities Commission, dated January 23, 2008.(7)
10.40	Letter Agreement, dated as of March 30, 2008, by and between the Staff of the New Hampshire Public Utilities Commission and Verizon Communications Inc.(6)
10.41	Letter, dated as of May 12, 2009, from the Staff of the New Hampshire Public Utilities Commission to FairPoint.(18)
14.1	FairPoint Code of Business Conduct and Ethics.(31)
14.2	FairPoint Code of Ethics for Financial Professionals.(12)
21	Subsidiaries of FairPoint.(32)
31.1	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*†
31.2	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*†
32.1	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†
32.2	Certification required by 18 United States Code Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*†
99.1	Order of the Maine Public Utilities Commission, dated February 1, 2008.(33)
99.2	Order of the Vermont Public Service Board, dated February 15, 2008.(34)
99.3	Order of the New Hampshire Public Utilities Commission, dated February 25, 2008.(5)

* Filed herewith.

† Pursuant to Securities and Exchange Commission Release No. 33-8238, this certification will be treated as "accompanying" this Quarterly Report on Form 10-Q and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of Section 18 of the Securities Exchange Act of 1934 and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the

Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

(1) Incorporated by reference to the Registration Statement on Form S-4 of FairPoint, declared effective as of July 16, 2007.

(2) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 28, 2007.

(3) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on July 9, 2007.

(4) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on November 16, 2007.

(5) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 27, 2008.

(6) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 3, 2008.

(7) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 24, 2008.

(8) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2007.

(9) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 19, 2007.

(10) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 10, 2007.

(11) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2008.

(12) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2004.

(13) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2002.

(14) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on August 3, 2009.

(15) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 22, 2009.

(16) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended September 30, 2009.

(17) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended September 30, 2000.

(18) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended June 30, 2009.

(19) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on March 19, 2007.

(20) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended September 30, 2008.

(21) Incorporated by reference to the Registration Statement on Form S-4 of FairPoint, declared effective as of August 9, 2000.

(22) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2003.

(23) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 23, 2008.

(24) Incorporated by reference to the Registration Statement on Form S-1 of FairPoint, declared effective as of February 3, 2005.

(25) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on June 20, 2005.

(26) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on September 23, 2005.

(27) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on April 1, 2008.

(28) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on March 9, 2009.

(29) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on December 13, 2007.

(30) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on January 8, 2008.

(31) Incorporated by reference to the Annual Report on Form 10-K of FairPoint for the year ended December 31, 2005.

(32) Incorporated by reference to the Quarterly Report on Form 10-Q of FairPoint for the period ended March 31, 2008.

(33) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 6, 2008.

(34) Incorporated by reference to the Current Report on Form 8-K of FairPoint filed on February 21, 2008.

Exhibit 31.1

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David L. Hauser, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (i) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (ii) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (iii) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   (iv) disclosed in this Quarterly Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (ii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2010

/s/ DAVID L. HAUSER

David L. Hauser
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PURSUANT TO 17 CFR 240.13a-14
PROMULGATED UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lisa R. Hood, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;
4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Securities Exchange Act of 1934, as amended (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (i) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (ii) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (iii) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

   (iv) disclosed in this Quarterly Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

   (i) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (iii) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: April 30, 2010

/s/ LISA R. HOOD

Lisa R. Hood
Interim Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company") for the quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David L. Hauser, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID L. HAUSER

David L. Hauser
Chief Executive Officer

April 30, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q/A of FairPoint Communications, Inc. (the "Company") for the quarter ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lisa R. Hood, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ LISA R. HOOD

Lisa R. Hood
Interim Chief Financial Officer

April 30, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.